

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1416856-000

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/12/95

[redacted] ATEL CAPITAL GROUP, 235 Pine Street, 6th. floor, San Francisco, California, 94104, telephone [redacted] was contacted telephonically at his place of employment. Also present was [redacted] General Counsel of ATEL CAPITAL GROUP. [redacted] was advised of the identity of the interviewing agent and that the interview concerned the lease transactions between ATEL FINANCIAL CORPORATION (ATEL) and FINANCIAL NEWS NETWORK, INC. (FNN). [redacted] then provided the following information:

[redacted] and one of the owners of ATEL CAPITAL GROUP. [redacted] of a couple of the subsidiaries of ATEL CAPITAL GROUP. [redacted] was the business person from ATEL who worked on the lease transactions with FNN.

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ATEL's original contact with FNN was made through the broker who brought the FNN deal to ATEL.

Prior to entering into the lease transactions with FNN, [redacted] received financial information relating to FNN. [redacted] relied on FNN's financial statements pursuant to entering into the lease transactions. In addition, [redacted] met with [redacted] in Los Angeles to learn more about the company. [redacted] went to lunch with [redacted] and toured FNN's facility. In general, [redacted] discussed FNN and the equipment which FNN would be leasing (i.e., broadcast and studio equipment). During his visit to FNN, [redacted] viewed equipment similar to the type of equipment which was on ATEL's equipment schedules with FNN.

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[redacted] met other employees of FNN, although [redacted] was the only individual who [redacted] recalled. Being [redacted] of the company, [redacted] was [redacted] main contact at FNN. [redacted] never met with anyone from FNN, or any companies related to FNN, in New York.

(telephonically)

Investigation on 1/10/95 at Los Angeles, CA File # 29B-LA-115702 1/X1by SA [redacted]Date dictated 1/12/95b6
b7C

29B-LA-115702

Continuation of FD-302 of , On 1/10/95, Page 2b6
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It was never represented to ATEL that MICRO RESEARCH INDUSTRIES, INC. (MRI), the vendor of the equipment purchased by ATEL, was a subsidiary or related to FNN. This would certainly have been a key point for ATEL to be aware of. If ATEL had known of any relationship, a much higher level of due diligence would have been performed by ATEL. If a relationship exists between the vendor and the lessee in this type of lease deal, it opens the door for fraud.

advised that ATEL relied on the invoices provided to ATEL by MRI, as well as, the certificates of acceptance. Receipt of the certificates of acceptance, which represented that the equipment had been delivered to the lessee, triggered ATEL to then make payment for the equipment. Once payment was made, then the lease began.

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advised that the fourth equipment schedule entered into between ATEL and FNN never ended up being funded. A few days after ATEL wired the funds for the equipment, the funds were sent back to ATEL because FNN wanted to close at a later date. Before ATEL sent the funds back, ATEL became aware that FNN's auditors had retracted their opinion on FNN's financial statements. Therefore, the last equipment schedule between ATEL and FNN was never funded.

After FNN's auditor's resigned, ATEL attempted to locate its equipment.

recalled that ATEL ended up coming out breakeven or making a slight profit on its investment in the lease deals with FNN. Any profit incurred would have resulted from the sale of stock in DATA BROADCASTING COMPANY (DBC), received through the FNN bankruptcy settlement.

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Memorandum



To : Director, FBI

Date 10/26/90

From : SAC, LOS ANGELES

29-LA-115702

(Serial # is mandatory)

Subject : EARL W. BRIAN

SECURITY POLICE NATIONAL BANK

1. Source of Captioned Matter:

- ☐ A: Federal Supervisory Agency Written Referral
☐ B: Financial Institution Written Referral
☒ C: Other

2. Type of Victim Institution:

Bank

- ☒ A: FDIC
☐ B: OCC
☐ C: FRB
☐ D: Savings Association
☐ E: Credit Union
☐ F: Farm Credit Institution

3. State Victim Institution Located: (two letter identifier) CA

4. Type of Subject(s):

- ☐ A: Insider
☐ B: Insider & Outsider
☒ C: Outsider
☐ D: Unknown

5. A: Amount of Reported Loss (before restitution, if any) 70,700,000
 B: Amount of Reported Restitution (if any)

6. Action taken:

- ☒ A: case opened 10/26/90
☐ B: incorporated into pending investigation
☐ C: no action due to state or local prosecution
☐ D: amount of loss does not meet prosecutive guidelines and is being referred to a state or local law enforcement
☐ E: Federal violation in the referral is handled by another Federal agency
☐ F: matter was presented to USA and prosecution was declined
☐ G: initiation of investigation delayed due to current unavailability of resources

29B-LA-115702-2

Refer to MIOG, Section 29-6.1, for reporting and notification requirements upon receipt of criminal referrals in bank fraud and embezzlement matters.

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29B-LA-115702-3

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OCT 20 1990			
FBI — LOS ANGELES			

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FNN Fires Its Financial Chief, Auditing Firm

By JOHN LIPPMAN
TIMES STAFF WRITER

Financially troubled Financial News Network said Friday that it terminated its outside accounting firm and fired the network's chief financial officer over payments he allegedly received from an unidentified source.

FNN said a special committee of its board had determined that former Chief Financial Officer C. Steven Bolen, 44, "received compensation payments that were not properly authorized." In addition, "certain bank accounts administered under Bolen's direction were not properly directed."

FNN said, however, that it believes all funds in those bank accounts are now properly recorded. The company said two other accountants who worked in the financial department have also been suspended. Bolen could not be reached for comment.

Friday's announcement came two weeks after FNN told the Securities and Exchange Commission that it could not file its fiscal 1990 financial reports because a dispute with its auditors, Deloitte & Touche, could lead to a default on bank loans and a "very substantial non-cash loss" for the fourth quarter.

In a prepared statement, FNN said its board of directors and audit committee had recommended that Deloitte & Touche be fired because the outside auditors were "unable to complete the audit work in a timely fashion."

FNN also revealed Friday that Deloitte & Touche no longer stood behind its audit of financial statements for the previous year. Those statements will now have to be

Please see FNN, D10

FNN: Financial Chief, Auditing Firm Fired

Continued from D1
reviewed by a new accounting firm, Coopers & Lybrand, which will also take up the issue of FNN's incomplete 1990 report.

The dispute between FNN and its fired auditors centered upon the treatment of FNN's approximately \$28-million investment in the video service FNN-Pro, which was launched in July and supplies market information to institutional stock traders. Analysts said FNN wanted to capitalize the investment over several years while their auditors argued that it should be taken as a one-time expense in the fourth quarter, which would trigger a huge loss.

That would have put FNN in default on \$48.5 million in loans from Security Pacific and Toronto Dominion banks. Banks typically write covenants into their credit agreements that allow them to call the loans if certain financial measures such as asset values and net worth are not maintained.

Analysts said the latest develop-

ments deepened the crises at FNN, which has seen its stock price slide 46% in the past two weeks, since FNN first disclosed the problem. Despite the latest revelations, the stock closed unchanged Friday at \$3.125 a share.

Friday's announcement "implies their credibility is destroyed," said Mark Reilly of the New York investment firm of MacDonald Grippio Reilly. "The management could get totally washed out to sea, along with their ability to lead the company."

Ken Goldman, an analyst with Denver-based Hanifen Imhoff Inc., who previously recommended purchase of the stock, said he was "suspending" his opinion in light of the new facts. He added that the dearth of financial information now coming from FNN "essentially invalidates all projections we had made."

But Goldman and other analysts still believe that FNN's core 24-hour cable channel remains

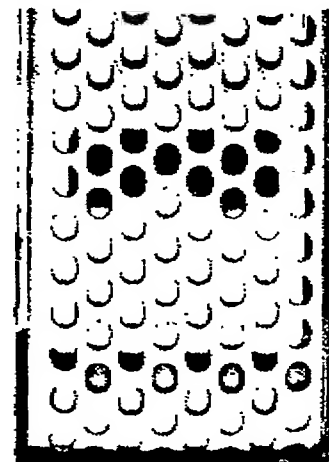
healthy and might be attractive to a potential buyer.

"We still feel that such an asset could command a price in an auction that is considerably higher than today's stock price," he said.

Goldman said he thought if FNN were sold, it could fetch between \$8 and \$10 per share, or \$145 million to \$200 million or more.

Specifically, FNN's problems relate to a series of complicated third-party transactions among FNN, sister company United Press International and their parent, Infotechnology Inc. Infotech owns 47% of FNN and acquired troubled UPI in 1988.

Deloitte told FNN that new information has come to light since it approved the company's 1989 report. Questions have been raised about, among other things, payments made by UPI to FNN for use of FNN technical facilities and the value of certain assets related to TelShop, a home-shopping channel shut down by FNN in 1989, when it took a \$17-million writedown.



FEDERAL BUREAU OF INVESTIGATION
DISPOSITION OF CONSENSUAL MONITORING
ELECTRONIC SURVEILLANCE (ELSUR) MEDIA
ACQUIRED IN CRIMINAL INVESTIGATION

Part I Basic Information & Documentation
To be completed by the ELSUR Operations Technician (EOT)

Case ID #: 29B-LA-115702

Destruction File: 321B-LA-A247168-D

EOTs are to ensure each case meets the following requirements before submitting the case file for review:

1. Is the case closed? ☒ Yes ☐ No
2. Has 11 years elapsed since the date of the last interception? ☒ Yes ☐ No

Note: Item 2 must be yes to proceed.

3. Has a check of Litigation Freeze list been completed with negative results?

Date checked. 1/8/14

☒ Yes ☐ No

Note: Item 3 must be yes to proceed.

☒ For Non-Automated cases - Pre-UCFN Non-Bar-Coded evidence:

Pull volume 1 and the last 2 volumes of the Main case file.

☒ For automated cases in Sentinel or ACS:

Verify case is available for review in Sentinel/ACS

Total 1B/1D items: 1

EOT:

[Redacted Signature Box]

[Redacted Signature Box]

1/8/14
(Date)

In ACS disp 9/2/14

321B-LA-A247168-D
29B-LA-115702

**FEDERAL BUREAU OF INVESTIGATION
DISPOSITION OF CONSENSUAL MONITORING
ELECTRONIC SURVEILLANCE (ELSUR) MEDIA
ACQUIRED IN CRIMINAL INVESTIGATION**

Background and Destruction Guidelines

In accordance with authorities provided by the National Archives and Records Administration (NARA), the FBI has developed a Disposition Plan allowing for the destruction of original consensual monitoring media acquired in criminal investigations after 11 years has elapsed from the last date of interception and when certain other conditions have been satisfied.

The 11 year time frame is consistent with statutory requirements present in maintaining Title III ELSUR media, see (Title 18 USC § 2518 (8) (a)). The 11 year retention period will further permit the media to remain in existence for a period sufficiently long in time to satisfy the statute of limitations for actions against the government.

This disposition plan applies to original electronic surveillance media obtained via Departmental/SAC/ASAC approval and court authorization(s) for consensual monitoring, (Non-Title III, Non-FISA ELSUR media). This disposition plan does not apply to transcripts, logs, indices, and other reports drawn from ELSUR media which are incorporated in FBI case files.

The following Title III statutory Title 18 USC § 2518 (8) (a) requirement must be met in determining destruction eligibility for consensual monitoring ELSUR media:

- A minimum period of 11 years must have elapsed from the last date of intercept.

The following NARA regulatory requirement must be met in determining destruction eligibility for consensual monitoring ELSUR media:

- The media must not have known historical value (i.e., well-known national public figure(s) or event(s), etc.).

Furthermore, FBI policy requires that the following conditions be satisfied in determining destruction eligibility for consensual monitoring media:

- The case must be in a closed status.
- The litigation freeze list must be checked.

To assist FBI field offices in significantly reducing the space required for media storage without continuing value, the Operational Technology Division (OTD) has created this checklist to readily identify original ELSUR consensual monitoring media eligible for destruction.

Note: Physical destruction of eligible ELSUR media is to be handled in accordance with provisions of the FBI security policy manual. Contact your security section for details.

FEDERAL BUREAU OF INVESTIGATION
DISPOSITION OF CONSENSUAL MONITORING
ELECTRONIC SURVEILLANCE (ELSUR) MEDIA
ACQUIRED IN CRIMINAL INVESTIGATION

Part II Review and Destruction Authorization
To be completed by the Special Agent (SA) or Supervisory Special Agent (SSA)

Review EOTs Part I can be accomplished by the SA or the SSA.

1. To the best of your knowledge, does the evidence contain historical value (i.e.: data from a national known figure or event that was prominent in the national news?*)

☐ Yes ☒ No

*If yes, contact the RMD, Records Disposition Unit (RDU). Advise RDU of the historical value and request instructions on how to proceed. If the case is found to be historical, it must be coordinated with RMD to deliver the evidence to the RDU.

Based upon applicable regulations and FBI Guidelines governing the destruction of original ELSUR Consensual Monitoring media acquired during the course of a criminal investigation and the information presented to me herein:

☒ I authorize the destruction of this media by "approved destruction method" under the guidelines set by the Security Division.

☐ I decline to authorize the destruction of this media pending further action/interest. Media will remain in ELSUR storage under the custody and control of the EOT.

Note instructions if any:

SA/SSA

[Redacted Signature Box]

1/14/14
(Date)

Title:

SSA

FEDERAL BUREAU OF INVESTIGATION
DISPOSITION OF CONSENSUAL MONITORING
ELECTRONIC SURVEILLANCE (ELSUR) MEDIA
ACQUIRED IN CRIMINAL INVESTIGATION

Part III Basic Information
To be completed by the ELSUR Operations Technician (EOT)

Upon completion of the FD-986 in part, or in whole, regardless if the approval was granted or denied, complete the following:

- ☒ 1. Place the original FD-986 in the last volume of the main case file.
- ☐ 2. For Automated cases in Sentinel, upload a copy of the FD-986 in the destruction file in Sentinel.

If the destruction of the ELSUR media has been approved, complete the following checklist.

- ☐ 1. For Automated cases in Sentinel, annotate the disposition on each corresponding record in Sentinel.
- ☒ 2. For ACS cases that have not been migrated into Sentinel, annotate the disposition on each corresponding record in ACS.
- ☒ 3. Remove ELSUR from the cover of each main case file, each sub-file and exhibits.

Physical destruction of ELSUR media by "approved destruction method" was accomplished or arranged by:

EOT ↔ 9/2/14
(Print Name) (Signature) (Date)

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07/02/12
16:26:07

Closed Cases with pending Collected Items
01/01/1960 thru 12/31/2000
Collected Item Type: Elsur
Category Type: 1D

ICMIPR06
Page 118

Case Squad: WCC1 Case Agent:
Case Number: 29B-LA-115702

Closed: 11/15/99
Title: BRIAN, EARL, W

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Cat/Num	Acquired	Type	Barcode	Anticipated Disposition and Date	Contributor/Description
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1D1	06/16/1991	E	E03423433	FS024	CMNTC BOX, 1B8
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Disp. 9/2/14

Memorandum



To : Los Angeles, 29B-LA-115702

Date 04/24/2006

From : RDU/ FBIHQ

Subject: Earl W Brian

(Title)

☐ RUC

☒ File Destruction Program

Enclosed are 62 items.

These items are forwarded to your office since file meets criteria for destruction.

Enclosures are described as follows:

- ☐ Original Notes.
- ☐ Original FD-302's.
- ☐ Laboratory and/or Technical Reports.
- ☒ Miscellaneous Documents.

Enc.

Note: Do Not Block Stamp Original Enclosures.

CURRICULUM VITAE - SHORT FORM

NAME:

[REDACTED]

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TEL: [REDACTED]

[REDACTED] HEALTH EXCELLENT

EXPERIENCED

- * OFFICER AND DIRECTOR
- * WRITER AND AUTHOR
- * TWENTY-TWO YEARS IN BUSINESS AND FINANCE
- * CIVIL AND CRIMINAL LAW
- * INVESTIGATOR IN SECURITIES AND WHITE COLLAR CRIME
- * BUSINESS CONSULTANT
- * FLUENT IN BOTH OFFICIAL LANGUAGES
- * SALES AND MANAGEMENT

DETAILED CURRICULUM VITAE ATTACHED:

[REDACTED]

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REFERENCE POSITION:

29B-LA-115702-1

SEARCHED [REDACTED] INDEXED [REDACTED]
SERIALIZED [REDACTED] FILED [REDACTED]
MAY 22 19 [REDACTED]
[REDACTED] TAW [REDACTED]

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29B-LA-115702-2

SEARCHED
SERIALIZED



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FILED

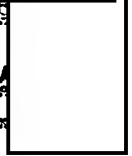


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MAY 22 1999



TAWA



29B-LA-115702-3

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SERIALIZED		FILED	

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MAY 22 1991

[Redacted]

STAWA

[Redacted]

[REDACTED]
F.B.I.
UNITED STATES EMBASSY
100 WELLINGTON ST. WEST
OTTAWA, ONTARIO, CANADA.

[REDACTED]
1 FEBRUARY 1991

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~~PERSONAL AND CONFIDENTIAL~~

SUBJECT: F.B.I. INVESTIGATION OF A CERTAIN DR. EARL W. BRIAN, ET AL.

DEAR [REDACTED]

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THIS HAS REFERENCE TO A RECENT CONTACT MADE TO YOU BY A MUTUAL FRIEND,
[REDACTED]

WITH RESPECT TO THE SUBJECT I HAVE BEEN INFORMED THAT INITIALLY A U.S. ATTORNEY'S OFFICE IN LOS ANGELES AND THE SECURITIES EXCHANGE COMMISSION WERE LOOKING INTO THE ACTIVITIES OF [REDACTED] AND THAT THE MATTER HAS BEEN TURNED OVER TO THE F.B.I.

I BELIEVE THE COMPLAINT WOULD ENTAIL [REDACTED] AND OTHERS - FINANCIAL NEWS NETWORK - INFOTECHNOLOGY.

A SAMPLE OR TWO OF ATTACHMENTS ARE HEREWITH APPENDED. THESE DOCUMENTS ARE VOLUNTEERED FOR YOUR EXAMINATION, AND SHOULD GIVE YOU AN OVERVIEW OF THE NATURE AND SCOPE OF MY PRIVATE INVESTIGATION INTO MANY OF THE PAST ACTIVITIES OF THE "GOOD DOCTOR." IT IS FELT THAT I MAY BE OF GREAT VALUE TO YOUR ORGANIZATION IN THIS MATTER. I AM AVAILABLE ON A 'NON EXISTANT' BASIS, CONSULTANT OR ?

WE HAVE INDEED A VERY MUTUAL INTEREST AND IT IS SINCERELY HOPED THAT SOME AVENUE OF A WORKING RELATIONSHIP BE MADE AVAILABLE, I WOULD TRULY LIKE TO BE PART OF A TEAM THAT FINALLY BRINGS THIS MAN TO CRIMINAL JUSTICE.

APPENDED IS MY CURRICULUM VITAE, FOR ADDED BACKGROUND.

SUGGESTING WE MEET AT YOUR EARLIEST CONVENIENCE, I REMAIN:

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ATTACHMENTS:

- A) [REDACTED] PROFITABLE ... WITH [REDACTED]
B) DOC #1125
C) CURRICULUM VITAE

29B-LA-115702-4
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SERIALIZED

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FILED

MAY 22 1991

ANA

Office of the Legal Attache
100 Wellington Street
Ottawa, Ontario K1P 5T1

May 28, 1991

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Dear [REDACTED]

This acknowledges receipt of your letter dated February 1, 1991, with enclosures relating to EARL W. BRIAN. Please know that your correspondence has been sent to the Los Angeles office of the Federal Bureau of Investigation for review.

I will contact you should they have questions concerning your correspondence.

Sincerely,

[REDACTED]
Legal Attache

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1-Addressee
(1) Ottawa (29B-LA-115702)

[REDACTED]
(2)

29B-LA-115702-5
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[REDACTED]

Office of the Legal Attache
100 Wellington Street
Ottawa, Ontario K1P 5T1

October 9, 1991

[REDACTED]
Attention: [REDACTED]

Reference: EARL W. BRIAN

Legat File: 29B-LA-115702

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Dear [REDACTED]

Enclosed is one copy of an unsolicited letter with enclosures which this office received from a [REDACTED] [REDACTED] on May 22, 1991. The letter is dated February 1, 1991.

This letter and its enclosures were forwarded to the Los Angeles, California office of the FBI for their review due to the fact that the FBI index system reflected that they had an investigative interest in Brian. As a result of their review, they (FBI Los Angeles) request that an interview of [REDACTED] be conducted regarding his knowledge about an associate of Brian named [REDACTED]. The FBI in Los Angeles also desires that [REDACTED] be interviewed regarding his knowledge of other Brian companies, specifically Hadron, Edanco, and Jenco.

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For your assistance in this interview, the Los Angeles office of the FBI provided the following comments and observations in a separate communication:

Brian has maintained business contacts with [REDACTED] since approximately 1982, and maintained social contacts with [REDACTED] since approximately 1978. [REDACTED]

[REDACTED] Addressee
[REDACTED] Ottawa (29B-LA-115702)

(2)

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[redacted] was responsible in part for the reorganization of Biotech Capital, formerly Infotechnology, and was an accountant for another Brian company called Intex.

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FBI, Los Angeles has interviewed [redacted] has denied any wrongdoing in relation to Brian and any Brian entity. Others have testified that [redacted] was responsible for setting up off-shore bank accounts on behalf of Brian and his entities. Approximately \$8 million was deposited to these accounts through Brian's company, Financial News Network (FNN) disguised as lease payments on FNN's books. It is believed that Brian was attempting to close these accounts and personally collect the \$8 million.

In addition, investigation by FBI, Los Angeles has discovered other Brian companies that [redacted] and Brian were involved in specifically, Hadron, Edanco, and Jenco. [redacted] briefly mentions Hadron in the documentation provided by Legat Ottawa. Any additional information regarding these entities that [redacted] could provide to FBI, Los Angeles would be useful.

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[redacted] is described as follows:

Name
Race
Sex
Date of birth
Place of birth
Height
Weight
Hair
Eyes

--

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Sincerely yours,

[redacted]
Legal Attache

Enclosure

Office of the Legal Attache
100 Wellington Street
Ottawa, Ontario K1P 5T1

March 18, 1992

[Redacted]
Attention: [Redacted]

Reference: EARL W. BRIAN

Legat File: 29B-LA-115702

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Dear [Redacted]

Reference is made to our letter dated October 9, 1991.

Please advise us of the status of your investigation in captioned matter.

Sincerely yours,

[Redacted]
Legal Attache

1-Addressee

1-Ottawa (29B-LA-115702)

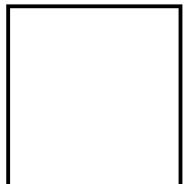
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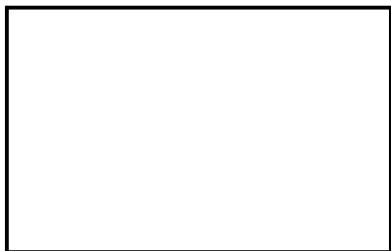
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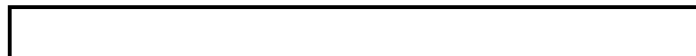
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LEGAL ATTACHE
EMBASSY OF THE UNITED STATES,
100 WELLINGTON ST.
OTTAWA,
ONTARIO.

KIP-5T1

[redacted]
Messrs. Tory, Tory,
DesLauriers and Binnington
P.O. BOX 270,
I.B.M. Tower
Suite 300
Toronto Dominion Center
TORONTO, Ontario. M5K-1N2

[redacted]
June 6, 1992

WITHOUT PREJUDICE

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SUBJECTS: [redacted] et al V. NESBITT et al- Court File 14469/86
[redacted] et al - Court File [Ottawa] 6963/87
[redacted] DECISION of March 12, 1992.
*AFFIDAVIT OF [redacted] [190 pp] Sworn and Dated 25 May 1992.
*Written communication to Master [redacted] dated 25 May 1992 from the
undersigned. (copy attached).

Dear [redacted]

Further to my UNANSWERED letters to you of September 24 and October 3, 1991 and other ongoing events. Please be advised that I have filed with Master [redacted] and the Court the above AFFIDAVIT with covering letter. It is suggested that you and all other copied persons obtain a copy at their expense. In light of its contents be further advised that the terms and conditions as outlined in my October 3, communication remain EXCEPT for PARTS 'A' and 'C'.

A) CIVIL ACTION No. 6963/87 [redacted] V. NESBITT et al. \$2,200,000.

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Revised to and including JUNE 30, 1992.

1) \$2,200,000. @ 12% per annum \$ 4,242,311.

2) Direct out-of-pocket costs December 3, 1981 to December 31, 1991 - \$650,345 or \$65,035 per annum, plus \$54,409 from January 1 through June 30, 1992: @ 12% \$ 1,412,385.
This figure does not take into consideration any compensation for loss of opportunity, loss of assets, R.R.S.P. liquidation, employment opportunities, mental anguish, distress and family breakdown, etc.

3) Per diem fee covering substantial time in investigating the entire circumstance, including the activities of the other Defendants in order to mitigate the losses of the Plaintiff's, for the most part his customers. at \$400. per diem, December 3, 1981 to June 30, 1991. \$ 3,156,967.
Plus GST for 1991 - 365 Days, 1992 - 182 days (547 Days) 15,316.

TOTAL DAMAGES DUE AND PAYABLE - JUNE 30, 1992 \$ 8,826,979.

C) For the present I'll leave it to [redacted] to make adjusted claims that were outlined in October 1991 by the writer.

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Let me make matters very clear, [redacted] your clients embarked on a path twelve years ago, when they recommended Dr. Earl W. Brian's services, at the very minimum without proper research, and took the risk of being caught in 'dishonest and fraudulent conduct and breach of fiduciary duty.'

29B-LA-115702-23

JUN 10 1992

AT HQ, LA
6/12/92
[redacted]

(2)

Furthermore, in advance of ANY LITIGATION your client NESBITT THOMSON KNEW that the companies promoted by Messrs. NESBITT, [REDACTED] and Dr. EARL W. BRIAN were recommended to the Retail Sales Network and in turn their clients based on unverified FALSE information. Then once litigation commenced you, for reasons best known to yourselves, elected to join forces with and back the wrong horses once again. The business strategy of NESBITT THOMSON in the issues at hand from March 1980 to the litigation era starting September 1986, says one thing VERY CLEARLY that there was an ongoing arrogant belief that you collectively thought you could defend against being above civil recourse and criminal law. Your failure to respond to reasonable discussion, even in discovery, provide documents, answer questions and act upon obvious evidence of civil wrongdoing should send a very clear message to the PLAINTIFFS, THE COURT and in this case [REDACTED]

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I have tried, sir, every avenue to address all issues in a quiet and professional manner under the most trying circumstances. For the record, your failure to respond in kind to my October 3, 1991 letter caused me to enter the murky world of 'spooks' and covert political operations. There had to be larger answers as to why issues were stalled and stonewalled as they were on your part. But, if you believe, [REDACTED] for one 'New York Second' that this is going to end in the further carnage of the victims (plaintiffs) you have clearly erred in judgement and now must bear the consequences.

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CC

PS: Dear [REDACTED] I am in receipt of your communication dated June 5, 1992 to Master [REDACTED] as an obvious response to his letter of May 29, 1992. May I inform you that my AFFIDAVIT covers all aspects of the 'original motion.' and the reasons for not attending nor filing materials. You make the wrong assumption of consequent matters involving Messrs. [REDACTED] In fact [REDACTED] I covered the latter in my UNANSWERED September 14, 1991 letter to you. Let me further suggest that EVERYTHING in my Affidavit and letter to [REDACTED] speaks to issues that NEED TO BE ADDRESSED ON THE PLAINTIFF'S MOTION TO DISCONTINUE AND NOTHING IS OUT OF TIME OR IRRELEVANT AND IT SHOULD RECEIVE EVERY CONSIDERATION. Because of the nature, tone and content of your June 5th letter it is now my view that all issues be expanded to interested parties.

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Messrs. [REDACTED]
F.B.I. [REDACTED]

- INSLAW

THE LAW SOCIETY OF UPPER CANADA

Et al.

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(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.) Page 1
Business Section LA TIMES
Los Angeles, CA

Date: 10/25/90

Edition: AM Edition
Los Angeles TimesTitle: FNN Cannot Meet
Expenses and Ousts Chief

Character: Executive

or

Classification: 29

Submitting Office: Los Angeles

Indexing:

29B-LA-115702

FNN Cannot Meet Expenses and Ousts Chief Executive

By JOHN LIPPMAN
TIMES STAFF WRITER

Financial News Network Inc., disclosing for the first time that the financial crisis surrounding the 24-hour business news channel is much deeper than originally thought, said it cannot meet operating expenses and is seeking to renegotiate its bank loans and leasing agreements.

The boards of FNN and its 47% owner, Infotechnology Inc., said Chief Executive Earl W. Brian has been ousted and replaced by Alan J. Hirschfield and Allan R. Tessler, who have been named interim co-chief executives. The boards several weeks ago took over day-to-day operating control of the companies.

FNN and Infotech have been engulfed in financial turmoil since early in the month,

when they first disclosed that an auditing dispute could lead to a quarterly charge against earnings and place the companies in default on their bank loans. Since then, the directors have dismissed their auditors, fired FNN's chief financial officer and let go FNN's Los Angeles-based finance staff.

Infotech also revealed in a filing with the Securities and Exchange Commission that it is cooperating with a formal SEC investigation of the company that began Oct. 12. Infotech described the investigation as a "continuation of an informal SEC staff inquiry" but did not elaborate.

A formal investigation is authorized by SEC commissioners after the enforcement division staff makes a preliminary inquiry, and submits a report.

Wednesday's disclosure that the company
Please see FNN, D16

29B-LA-115702-4

SEARCHED	SERIALIZED	INDEXED	FILED
OCT 25 1990			
FBI - LOS ANGELES			

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Continued from D1

ny is giving a public meeting operating expenses only further confused analysts, almost all of whom said FNN and Infotech are refusing to explain why the network has been hit by a cash flow shortage.

"They aren't providing any information, so it's hard to figure out what's going on," said Ken Goldman, an analyst with Hanifen Imhoff Inc., a Denver investment company.

Brian will continue as a director of both firms, although analysts said he has effectively been relieved of executive duties. According to the latest available proxy statements, Brian owns 9% of Infotech and less than 1% of FNN.

Both Hirschfield and Tessler have intimate experience with troubled companies.

Hirschfield, who earlier this year became a managing director at the New York investment bank of Wertheim Schroder & Co., was chief executive of Columbia Pictures during the David Begelman check-forging scandal in the late 1970s. Hirschfield was unavailable for comment.

Tessler has been an Infotech board member and from July to December, 1989, was chairman of Imperial Corp. of America, parent of Imperial Savings in San Diego, which was seized by federal regulators last February.

But one observer said Tessler deserves no direct blame for Imperial's failure, as the thrift was already in bad shape when he took over. A former partner in the New York law firm of Shea & Gould, he is sole stockholder of International Finance Group, an investment company.

According to sources, Hirschfield was brought in by Tessler after the board first approached turnaround artist Sanford C. Sigoloff, but he was not available. Senior managers were told Tuesday that Brian would be stepping down, although the decision had actually been made weeks ago as the depth of the financial problems became apparent to the boards.

The directors said that the interim chief executives will consider the "sale of some or all of the companies' businesses."

Bringing aboard Hirschfield and Tessler is a clear sign, according to one investor who owns about 3% of FNN's stock, "that they will clean it up and sell it."

Mark Reilly, a partner in the New York investment firm of MacDonald Grippo Reilly, agreed that a sale of FNN is possible. "This signifies the assets are really up for sale," he said. "But they've got to move quickly in restructuring and selling."

Despite the financial problems, analysts still rate highly FNN's

core business, a channel available to 35 million homes. Less certain is an array of ancillary businesses, such as sophisticated stock quote services and Infotech's 97% ownership of ailing United Press International. Infotech and FNN said they have received several bids for their combined 51% stake in the Learning Channel.

At least a handful of major media companies are looking at the possibility of buying FNN or Infotech outright. Those companies, which include Time Warner Inc., Capital Cities/ABC Inc. and Turner Broadcasting System Inc., would be able to buy either company for substantially less than would have been paid even six months ago since the values of media companies have sharply declined.

The directors also said they needed to renegotiate payment schedules for \$88 million in lease contracts. That figure surprised analysts, who noted that on top of the previously disclosed \$70 million in bank debt, FNN and Infotech now have at least \$158 million in liabilities.

Last November, FNN said it had established a \$50-million credit agreement with Security Pacific and Toronto Dominion Bank in New York. That credit line is now virtually exhausted. In addition, Infotech has used up \$20.7 million of its own \$25-million credit line with Security Pacific and Midlantic banks, which is secured by FNN stock.

"Each succeeding announcement has been more dismal than the last," said Lorraine Maxfield, an analyst with Paulson Investment Co. in Portland, Ore. "This appears to be the tip of the iceberg."

Since the original disclosure on Oct. 1, FNN's chief financial officer, C. Steven Bolen, has been fired, two other finance department employees were suspended and the company's 20-member finance and accounting staff in Los Angeles was dismissed.

The board said Bolen was fired for allegedly misappropriating company funds, and the finance staff was let go to move that department closer to executives in New York and Washington.

Analysts wonder what is next, given the already rapid succession of startling disclosures in recent weeks. But one company executive maintained that no further management shake-ups are imminent and that Hirschfield and Tessler will decide which assets will be sold in the coming weeks.

In over-the-counter trading Wednesday, FNN lost \$1.25 a share to close at \$3.125, while Infotech lost \$1.0625 to close at \$3.0625.

5 X 8

TO: SAC, LOS ANGELES (29B-LA-115702) (WCC-3) (P)

FROM: SSA [REDACTED]

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SUBJECT: EARL W. BRIAN;
[REDACTED]

FINANCIAL NEWS NETWORK, INC.;
INFOTECHNOLOGY, INC.;
SECURITY PACIFIC NATIONAL BANK,
333 S. HOPE STREET,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES
CASE AGENT: [REDACTED]

Recent Los Angeles Times articles have indicated that Television Network, FINANCIAL NEWS NETWORK (FNN) has been experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to both SECURITY PACIFIC NATIONAL BANK and TORONTO DOMINION BANK. EARL W. BRIAN, former Chief Executive Officer (CEO), [REDACTED]

[REDACTED] former Accounting Staff employees, have all been terminated from FNN as well as the firm's [REDACTED]

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Los Angeles has received information that the Los Angeles based FNN financial statements submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious accounts receivable. Initial information indicates [REDACTED] may have discovered same information plus additional fraud.

- 1 - SAC
 - 1 - ASAC [REDACTED]
 - 1 - ASAC
 - 1 - ASAC
 - 1 - ASAC
 - 1 - MEDIA COORDINATOR
 - 1 - NIGHT SUPV.
 - ① - 29B-LA-115702
- [REDACTED]

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29B-LA-115702-5

SEARCHED	[REDACTED]	[REDACTED]
SERIALIZED	[REDACTED]	[REDACTED]
FBI - LOS ANGELES		
[REDACTED]		

The Securities and Exchange Commission (SEC) has also initiated an investigation regarding possible securities violations. Los Angeles will be coordinating captioned investigation with SEC and AUSA [redacted] Major Frauds Unit, United States Attorney's Office.

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To date, subpoenas have been issued by the United States Attorney's Office for the victim banks, [redacted] [redacted] and FNN. Based on the information received from these subpoenas and interviews of some key cooperating witnesses, it is anticipated that a search for FNN records may have to be made in Virginia.

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☒ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 11/2/90

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1 FM FBI LOS ANGELES (29B-LA-¹¹⁵⁷⁰²115072) (P)

2 TO DIRECTOR FBI/IMMEDIATE/

3 BT

4 UNCLAS

5 CITE: //3410:WCC-3//

6 PASS: SSA [REDACTED] FINANCIAL INSTITUTION FRAUD UNIT (FIFU),
 7 WHITE COLLAR CRIME SECTION (WCCS).

8 SUBJECT: EARL W. BRIAN; [REDACTED]

9 [REDACTED] FINANCIAL NEWS NETWORK, INC.; INFOTECHNOLOGY,
 10 INC. SECURITY PACIFIC NATIONAL BANK; 333 SOUTH HOPE STREET, LOS
 11 ANGELES, CALIFORNIA, BF&E, OO: LOS ANGELES.

12 FOR INFORMATION, RECENT MEDIA COVERAGE HAS INDICATED THAT
 13 TELEVISION CABLE COMPANY, FINANCIAL NEWS NETWORK (FNN), HAS BEEN
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Transmitted

18:15pm
 11-1-90
 (Number) (Time)

Per [REDACTED]

29B-LA-115702-6
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^PAGE TWO (29B-LA-15702) UNCLAS

EXPERIENCING SEVERE FINANCIAL DIFFICULTIES, IN PARTICULAR MEETING ITS DEBT OBLIGATIONS ON MORE THAN \$70 MILLION IN LINES OF CREDIT TO SECURITY PACIFIC NATIONAL BANK AND TORONTO DOMINION BANK. EARL W. ^{BRAN}BRAN, FORMER CHIEF EXECUTIVE OFFICER (CEO), [REDACTED]

[REDACTED] FORMER ACCOUNTING STAFF EMPLOYEES, HAVE ALL BEEN TERMINATED FROM FNN AS WELL AS THE FIRM'S [REDACTED]

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LOS ANGELES HAS RECEIVED INFORMATION THAT THE LOS ANGELES BASED FNN FINANCIAL STATEMENTS SUBMITTED TO SUPPORT THE APPROVAL AND FUNDING OF THE BANK LINES OF CREDIT CONTAINED SUBSTANTIAL INFLATED AND FICTITIOUS ACCOUNTS RECEIVABLE. INITIAL INFORMATION INDICATES [REDACTED] MAY HAVE DISCOVERED SAME INFORMATION PLUS ADDITIONAL FRAUD.

THE SECURITIES AND EXCHANGE COMMISSION (SEC) HAS ALSO INITIATED AN INVESTIGATION REGARDING POSSIBLE SECURITIES VIOLATIONS. LOS ANGELES WILL BE ~~GRAND JURY~~ COORDINATING CAPTIONED INVESTIGATION WITH SEC AND AUSA [REDACTED] CHIEF, MAJOR FRAUD UNIT, UNITED STATES ATTORNEY'S OFFICE.

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BUREAU WILL BE KEPT ADVISED OF FURTHER DETAILS.



U.S. Department of Justice

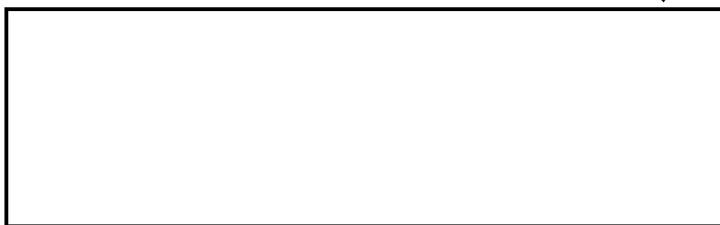
Federal Bureau of Investigation

In Reply, Please Refer to
File No.

Los Angeles, CA 90024

December 13, 1990

EARL W. BRIAN,
FORMER CHIEF EXECUTIVE OFFICER;



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FINANCIAL NEWS NETWORK, INC.;
INFOTECHNOLOGY, INC.;
SECURITY PACIFIC NATIONAL BANK,
333 SOUTH HOPE STREET,
LOS ANGELES, CALIFORNIA
BANK FRAUD AND EMBEZZLEMENT

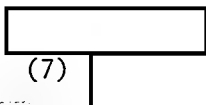
Officials of Security Pacific National Bank (SPNB) advised that Television Cable Company, Financial News Network (FNN) has been experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to SPNB and Toronto Dominion Bank.

Los Angeles has received information that the Los Angeles based FNN financial statements submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets and lease commitments.

The Securities and Exchange Commission (SEC) has also initiated an investigation regarding possible securities violations. Los Angeles will be coordinating captioned investigation with SEC, Internal Revenue Service, and Assistant United States Attorney (AUSA) [redacted] United States Attorney's Office.

b6
b7C

5 - Bureau
② - Los Angeles (29B-LA-115702)



29B-LA-115702-7

SEARCHED
INDEXED
SERIALIZED
FILED

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 12/13/90

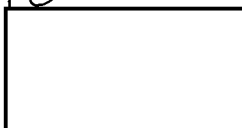
1 TO : DIRECTOR, FBI
 2 FROM : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) (P)
 3 SUBJECT : EARL W. BRIAN,
 4 FORMER CHIEF EXECUTIVE OFFICER;



5
 6
 7 FINANCIAL NEWS NETWORK, INC.;
 8 INFOTECHNOLOGY, INC.;
 9 SECURITY PACIFIC NATIONAL BANK,
 10 333 SOUTH HOPE STREET,
 11 LOS ANGELES, CALIFORNIA
 12 BF&E
 13 OO: LOS ANGELES

14
 15
 16
 17
 18
 19 Enclosed for the Bureau are four copies of an LHM
 20 setting forth the facts of the above captioned case.
 21

2 - Bureau (Enc. 5)
 ② - Los Angeles



Approved: _____ Transmitted _____

(Number) (Time)

Per _____

SEARCHED _____

INDEXED _____

SERIALIZED _____

FILED _____

29B-LA-115702-6

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b7Cb6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:33

Case ID: 29B-LA-115702 Serial: 9

Description of Document:

Type : FD302

Date : 11/02/90

To : LOS ANGELES

From

Topic

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 118

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:33

Case ID: 298-LA-115702 Serial: 10

Description of Document:

Type : FD302

Date : 11/02/90

To : LOS ANGELES

From

Topic

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 119

Employee:

(Mount Clipping in Space Below)

FNN, Infotech Directors Hire Firm to Sell Assets

By JOHN LIPPMAN
TIMES STAFF WRITER

The directors of Financial News Network Inc. and Infotechnology Inc., confirming what analysts had expected, on Wednesday hired New York investment bank Wertheim Schroder & Co. to sell the financially troubled companies' assets.

The directors also charged that C. Steven Bolen, FNN's former chief financial officer who was fired last month over alleged financial improprieties, received \$795,000 in unauthorized compensation payments. It was the first such disclosure of the amount Bolen allegedly misappropriated.

Phone calls to Bolen's home were referred to his attorney, Howard Weitzman, who did not return calls seeking comment.

Alan J. Hirschfield and Allan R. Tessler, co-chief executives of FNN and Infotech, were appointed by the boards two weeks ago to consider selling some or all of Infotech's operations, which include a cable network and ailing United Press International.

In an interview Wednesday, Hirschfield said parts of FNN and UPI might be sold separately. For example, he said buyers have expressed interest in FNN's data services and UPI's sports wire and Latin American news service.

Whatever the outcome, Hirschfield and Tessler will have to act quickly. They have requested a 90-day moratorium on all interest and lease payments, which the banks and lessors so far appear to have granted. But after that, many

analysts believe that Infotech may be pressed into liquidation to pay off its obligations.

Hirschfield described FNN, Infotech's core asset, as "still a very valuable franchise" and said the company is projecting a profit for the 1991 fiscal year.

Infotech, which owns 47% of FNN, is a holding company that owns stakes in 14 companies. Infotech also owns 97% of troubled UPI, which earlier this week told its 350 union employees that the news service will have to be liquidated unless they accept a 35% pay cut for 90 days.

Several major media companies are believed to be interested in FNN, a cable TV channel available in 35 million homes. Mark Reilly, a partner in the New York investment firm MacDonald Grippo Reilly, estimates that FNN could bring between \$150 million to \$200 million if it were sold, a figure that Hirschfield did not dispute.

Analysts said a number of U.S. or international media giants could be considered likely buyers of FNN, including Time Warner Inc., Telecommunications Inc., Turner Broadcasting System Inc., Viacom Inc. or Capital Cities/ABC Inc.

"The inquiries we have had for the companies are very serious and come from the highest level," Hirschfield said. He added that more than 10 companies had expressed interest in FNN, UPI or other Infotech subsidiaries, including its 51% stake in the Learning Channel cable TV network.

FNN stock rose 75 cents Wednesday, closing at \$3.25, on news the assets would be sold.

(Indicate page, name of newspaper, city and state.)

Pg D2 Los Angeles Times
Los Angeles, CA

Date: 11/8/90

Edition: AM

Title: FNN, Infotech DIRECTORS
HIRE FIRM TO SELL ASSETS

Character: BF+E

or

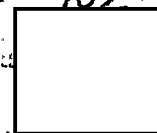
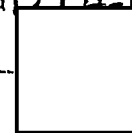
Classification: 29 B

Submitting Office: Los Angeles

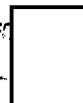
Indexing:

(Handwritten symbol: a circle with a cross inside)

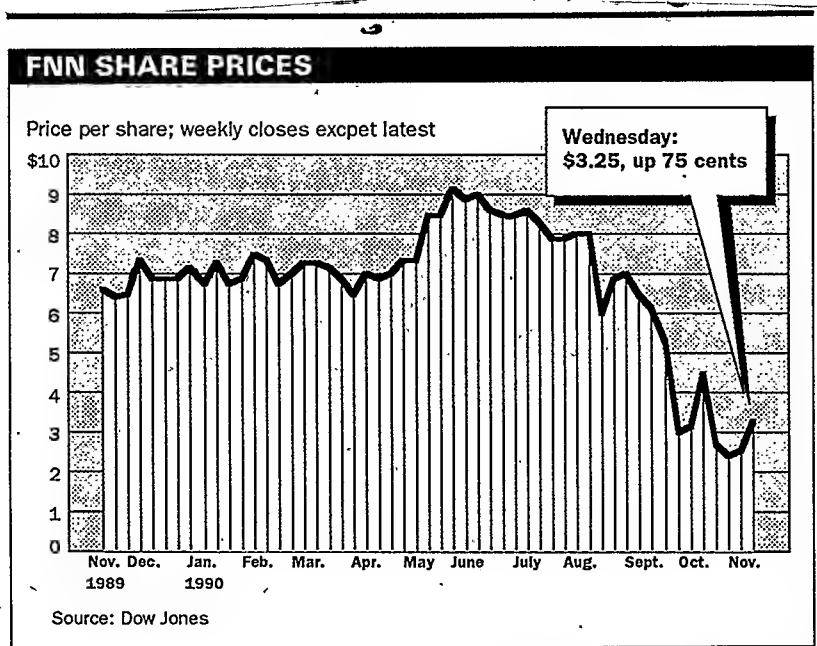
99B-1A-115702-11



FBI - LOS ANGELES



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Los Angeles Times

(Mount Clipping in Space Below)

D2 SATURDAY, NOVEMBER 10, 1990 ★**BRIEFLY**

Lawsuit Filed Against FNN: Lawyers for shareholders suing Financial News Network Inc. and its sister company Infotechnology Inc. filed an amended complaint in Los Angeles Federal District Court charging both companies' financial statements contained "pervasive falsification of accounts and transactions" during 1989 and 1990. Previously, former auditors Deloitte & Touche said they could not complete their audit for fiscal 1990 and withdrew their opinion for 1989's financial statements.

(Indicate page, name of newspaper, city and state.)

D2-BUSINESS SECTION
LOS ANGELES, CA

Date: 11/10/90

Edition: AM

LOS ANGELES TIMES

Title: LAWSUIT FILED AGAINST
FNNCharacter: 29B BPE
or

Classification:

Submitting Office:

LOS ANGELES

Indexing:

29B-LA-115702-12

SEARCHED

FBI - LOS ANGELES

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b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:34

Case ID: 298-LA-115702 Serial: 13

Description of Document:

Type : FD302

Date : 11/13/90

To : LOS ANGELES

From :

Topic:

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 120

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:35

Case ID: 29B-LA-115702 Serial: 14

Description of Document:

Type : FD302

Date : 11/13/90

To : LOS ANGELES

From :

Topic:

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 121

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:35

Case ID: 298-LA-115702 Serial: 15

Description of Document:

Type : FD302

Date : 11/14/90

To : LOS ANGELES

From :

Topic:

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 122

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:37

Case ID: 29B-LA-115702 Serial: 16

Description of Document:

Type : FD302

Date : 11/27/90

To : LOS ANGELES

From :

Topic:

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 123

Employee:

JOSEPH P. LOEB
(1883-1974)
EDWIN J. LOEB
(1886-1970)
MORTIMER H. HESS
(1889-1968)

LAW OFFICES OF
LOEB AND LOEB
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
1000 WILSHIRE BOULEVARD, SUITE 1800
LOS ANGELES, CALIFORNIA 90017
TELEPHONE (213) 688-3400
FACSIMILE (213) 688-3460
CABLE ADDRESS "LOBAND"
TELEX 67-3106

NEW YORK OFFICE
230 PARK AVENUE
NEW YORK, N. Y. 10169
(212) 692-4800
FACSIMILE (212) 692-4990
TELEX 12-7400
CENTURY CITY OFFICE
10100 SANTA MONICA BOULEVARD
LOS ANGELES, CALIFORNIA 90067
(213) 282-2000
FACSIMILE (213) 282-2192
TELEX 67-3106
EUROPEAN OFFICE
PIAZZA DIGIONE ONE
00197-ROME
ITALY
011-396-887-0456
FACSIMILE 011-396-887-0288

WRITER'S DIRECT DIAL NUMBER:

[REDACTED]

November 28, 1990

VIA TELECOPY

[REDACTED]
Assistant United States Attorney
United States Courthouse
312 North Spring Street
Los Angeles, California 90012

b6
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b7E

Re: [REDACTED] re
Financial News Network

Dear [REDACTED]

I wanted to let you know that I have made arrangements with the FBI and [REDACTED] agents for the review of additional [REDACTED] documents tomorrow at 1:00 p.m. at our office.

In a conversation today with [REDACTED] of the FBI, I pointed out that [REDACTED]

b3
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b7C

[REDACTED]

We will not be producing documents which have been designated as being privileged. A log of those documents is being prepared and we will provide you with a copy as soon as it is completed.

Best regards.

Sincerely,

[REDACTED]

of Loeb and Loeb

b6
b7C

RAM/prt
[REDACTED] 20839.L02

cc: [REDACTED]

99B-LA-115702-17
[REDACTED]
[REDACTED]
[REDACTED]

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 11/29/90

From : SA [redacted]

b6
b7C

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER:

[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

[redacted] This memo is to document that on 11/26/90, SA [redacted]
[redacted] met with AUSA [redacted] regarding above captioned
matter. Also present during the meeting were Special Agent
[redacted] and SA [redacted]
[redacted] FBI.

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b7E

AUSA [redacted] was advised of the facts of this case and
the following investigative plan was established:

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b7C

29B-LA-115702-18

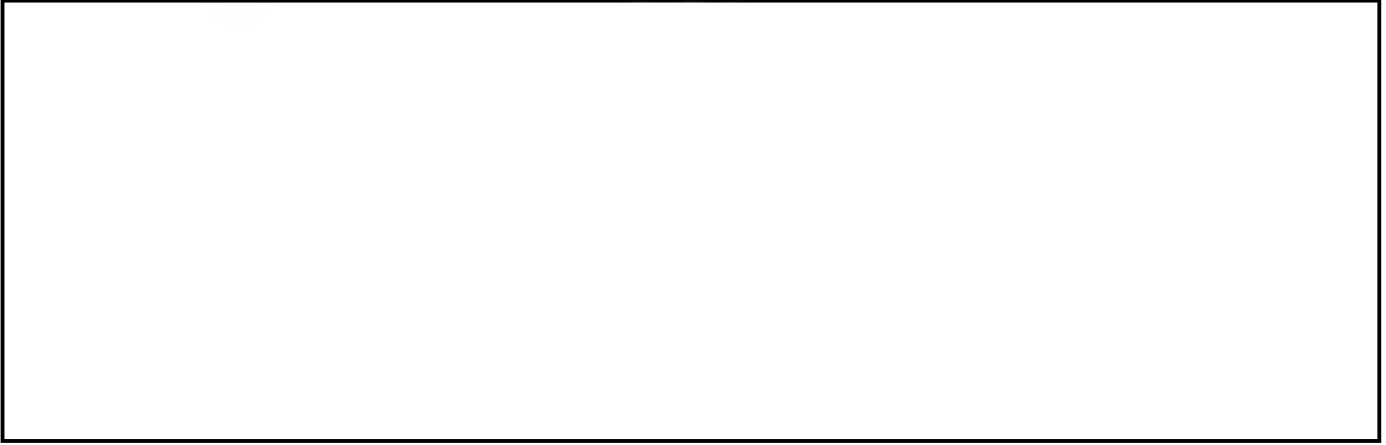
[redacted]
[redacted]
[redacted]
FBI - LOS ANGELES
[redacted]

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b6
b7C

29B-LA-115702



(Mount Clipping in Space Below)

FNN Discloses Losses: Financial News Network Inc., which has been embroiled in a financial controversy since October, said it expects to report a \$72.5-million loss for fiscal 1990. The company has been unable to report its financial results for the fiscal year ended June 30 because it replaced its auditing firm in a controversy over how FNN was reporting a \$28-million investment in a new service. FNN said its auditors had "substantially completed their examination" and it expects to file audited financial statements with the Securities and Exchange Commission in early December.

(Indicate page, name of newspaper, city and state.)

Los Angeles, California

Date: 11/30/90

Edition: Los Angeles Times
Business Section
Page 2

Title:

FNN DISCLOSES LOSSES

Character: BF+E
or

Classification: 29B-LA-#115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-19

SEARCHED	INDEXED
SERIALIZED	FILED
FBI - LOS ANGELES	

b6
b7c

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 12/11/90

From : SA [REDACTED]

b6
b7C

Subject: EARL W. BRIAN;

[REDACTED]
FINANCIAL NEWS NETWORK, INC.;
INFOTECHNOLOGY, INC.;
SECURITY PACIFIC NATIONAL BANK,
333 S. HOPE STREET,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

On 10/29/90, SA [REDACTED] met with AUSA [REDACTED]
[REDACTED] and AUSA [REDACTED] regarding above captioned
matter.

AUSA [REDACTED] advised that [REDACTED]

AUSA [REDACTED] advised that [REDACTED]

AUSA [REDACTED]

AUSA [REDACTED]

AUSA [REDACTED] further advised that SA [REDACTED]

SA [REDACTED]

2)

29B-LA-115702-2f

b6
b7C

29B-LA-115702

[redacted] advised AUSA [redacted]

that [redacted]

[redacted] telephone [redacted]

AUSA [redacted]

b5
b6
b7C

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

DAILY NEWS
LOS Angeles, California

Date: 12/19/90

Edition:

AM

BUSINESS Pg 4

Title: FNN LOSES \$72.4 MILLION FOR YEAR

Character: BFE

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

4—BUSINESS / WEDNESDAY, DECEMBER 19, 1990 / DAILY NEWS

FNN loses \$72.4 million for year

Associated Press

WASHINGTON — Financial News Network Inc. suffered losses totaling \$72.4 million for fiscal year 1990, the cable television concern said Tuesday.

Factors in FNN's reversal of fortune included accounting changes totaling \$65 million. The company said the changes regarded improperly documented lease

transactions, new product development costs and payments to its sister company, United Press International.

FNN and UPI are subsidiaries of Infotechnology Inc.

FNN said it was in the process of revising its quarterly reports for the first three quarters of 1990 to reflect a review conducted by FNN and its new accountants, Coopers & Lybrand.

Last month FNN said it expect-

ed a net loss of \$72.5 million for the 1990 fiscal year.

Last year, for the fiscal year ending in 1989, FNN recorded a profit over \$3 million, but those figures were unaudited.

Financial News Network provides business, sports and market data to cable systems in the United States and Canada. FNN and Infotechnology collectively own 51 percent of the Learning Channel,

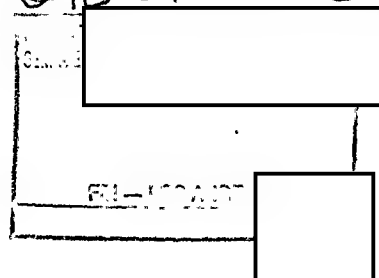
29B-LA-115702-22

SEARCHED	INDEXED
SERIALIZED	FILED
FBI — LOS ANGELES	

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DAB-LA-115702-23



Exclusive Sammons Guide Dec. 16-22

TV Times

LOS ANGELES TIMES

Cable's FNN
and CNBC
Take Aim at
the Same
Money-Minded
Audience: Is
There Room
for Both?

FINANCIAL
NETWORKS
MEAN
BUSINESS

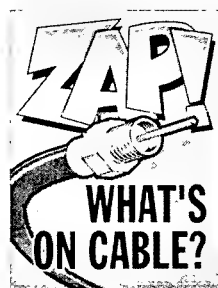


"Marketwatch A.M.," with FNN anchors Ron Insana, left, and Randall Whipple, is geared toward viewers trying to keep up with—or stay ahead of—the market.



Washington pundit John McLaughlin interviews model Cheryl Tiegs on his evening talk show on CNBC.

Financial Networks Run for the Money



So what's really on all those cable channels besides MTV and HBO? In a five-part series TV Times spotlights six cable networks nominated for cable's Ace Awards this year (airing Jan. 13). This week: FNN, the Financial News Network, and CNBC, the Consumer News and Business Channel.

BY DANIEL CERONE
TIMES STAFF WRITER

FNN: INVESTING FUTURE IN A NEW PRIME-TIME LINEUP

For Financial News Network, it's the best of times and the worst of times.

Good news first: After almost 10 years, FNN (now in 35 million households) has silenced the media brokers who didn't forecast a future—or much of an audience—in economic news. What's more, FNN loosened its tie last year and successfully expanded into prime-time with lifestyles programming.

Now the bad news: Infotechnology Inc., the company that has controlling interest in FNN, recently ran into a cash shortage and has put the cable network up for sale to pay off its debts. Stock in FNN has plummeted, and shareholders have filed suit against FNN claiming the cable company wrongfully withheld details about its investments.

When asked how the sale of FNN will affect its programming, president Michael Wheeler said: "It won't. Nothing that the viewers see on television is affected by it. What's on air now is not affected. Nothing at all."

Most analysts seem to agree that despite the dark cloud looming over its parent company, FNN remains a financial gem. In fact, likely buyers for FNN reportedly include its biggest competitors—Turner Broadcasting System Inc., which owns Cable News Network, and General Electric Co., owner of Consumer News and Business Channel.

Wheeler explained FNN's value: "Before the stock market crash of 1987, we had been in a very strong bull market. It was pretty easy. Just send money to your stockbroker and it went up every month, or buy a house and it increased in value every month. Now we're heading into a recession. Managing your business investments requires much more study and information."

From its start in 1981, FNN set itself apart as a service for serious investors.

"The Insiders with Jack Anderson," airing nightly, gives FNN a Pulitzer Prize winner with the clout to get guests such as President Bush.



day, FNN's stock ticker from Wall
dashes across the bottom of the
reen. FNN reports on domestic
oreign markets, analyzing the day's
g and business news, with shows
as "Marketwatch A.M." anchored
n Insana and Randall Whipple.
We're wired for cable and we
FNN on in the office all the time,
with CNN," said Mark Riely, fi-
analyst with the New York in-
ent banking firm of MacDonald
o Riely Inc. "We keep FNN on
background the way teen-agers
t use MTV—you tune in and
out, depending what's on."
ome predicted FNN would lose
ribers and fold its tent when the
-slick CNBC, backed by the NBC
rk, started up 18 months ago.
t FNN was prepared. Two years
abandoned an ailing home-shop-
service and dropped much-enti-
"infomercials," commercials
ed as investment-advice shows.
all, with flashier new sets and a
staff, FNN ventured into prime-
with a slate of original lifestyles
ams geared for its upscale viewers.
ews you can use," Wheeler said.
he American Entrepreneur" with
Wirth, a sort of financial Charles
:, travels across America to uncov-
sonal success stories. "Power Pro-
osted by actor and financial ex-
Wayne Rogers, is FNN's "Lifestyles
Rich and Famous." Rogers goes
d the scenes with corporate big-
Other shows look at art and auto-
le collecting, real-estate invest-
and tips for business travelers.
his isn't old programming or re-
said Bob Regan, FNN's vice
lent of programming and opera-
"We don't buy programming
other people. We produce it. A
ears ago we were doing news at
Now we're doing high-quality,
zine-style programming."
ndicated columnist Jack Ander-
Pulitzer Prize winner who night-
is "The Insiders with Jack Ander-
said: "When I first went on FNN,
ower brokers in Washington
nt I did a daytime financial show.
eas at first they would say it's a
of time, now their response is
ifferent. I can get almost any-
appear on my show. [President
agreed to be on later this season."
th the new changes, FNN's rat-
increased and the network's na-
advertisers tripled. Unlike most
networks that program for wider
aces, FNN knows who its upscale
s are and focuses in on them—a
graphic luxury it affords by charg-


ing higher advertising rates than most
of its cable competitors. Simmons mar-
ket research found last year that FNN,
an advertiser's dream, had a greater con-
centration of high-level spenders than
any other cable network.
Wheeler said 70% of FNN's viewers
are males with college degrees and an-
nual salaries of \$30,000 or more. "We
don't do programming that necessarily
appeals to a male or female. If a female
is investment-oriented she will watch.
If not, she won't," Wheeler said.
On weekend afternoons FNN
switches to sports news, interviews
and scores. FNN also broadcasts its fi-
nancial news to a radio network of 100
stations and offers a service that plugs
its stock quotes and business news di-
rectly into personal computers.
The changes and other ventures at
FNN didn't come cheaply—the re-
ported price tag was \$115 million. If
FNN is sold to a major domestic or in-
ternational media company, as ex-
pected, the network will probably
grow even larger. In the meantime,
with its advertising and subscriber
base secure, FNN is sitting tight and
waiting to see where its future lies.

CNBC: COMPETING WITH A BROAD MIX OF PROGRAMMING

I f somebody one day writes a
book about the Consumer News
and Business Channel, it might
be called "The Marketing of a
Cable Network."
Backed by the power, re-
sources and reputation of NBC,
the No. 1 TV network, CNBC pre-
miered with a promotional bang
in 13 million households on April
17, 1989. During an industry-wide
channel crunch that kept other aspiring
networks waiting in the wings, the up-
start CNBC—with a bankroll reported
at \$65 million—hoped to win viewers
with shiny sets and graphics, seasoned
hosts such as Dick Cavett and a mix of
consumer and business reporting.
But after the launch the Wall Street
Journal described it as an "odd mix of
serious financial news with softer, con-
sumer-oriented features" and noted that
initial reviews from media critics and
cable operators were mostly negative.
One critic called the channel "the 'En-
ertainment Tonight' of financial news."
"The industry told us after we were
on the air for a relatively short period
of time that they wanted us to be a bit
harder during the day," CNBC presi-

dent Al Barber said. "They expected us
to be substitutional for FNN."
With 16.7 million subscribers,
CNBC has refined its two-prong ap-
proach to consumer and business pro-
gramming. In a sense, the days have be-
come harder and the nights softer.
During business hours, CNBC mir-
rors FNN in most respects. With its
own ticker racing across the screen, the
channel covers breaking financial and
market news, with commentary and
analysis from a host of experts.
CNBC, willing to pay top dollar to
build a strong news team, has lured
quality reporters from its competitors.
In October, Dan Dorfman, CNN's 10-
year financial veteran, broke ranks and
joined CNBC. Consumer guru David
Horowitz recently signed with the cable
network to do reporting next year (he
will maintain his duties at L.A.'s KNBC).
One attraction is that CNBC re-
porters have a shot at national network
exposure on NBC.
Anchor Sue Herera explained her
defection from FNN two years ago:
"The affiliation with NBC meant a lot. I
use NBC's resources and research de-
partment, interact with the NBC news
desk and do [reporting] spots on 'NBC's
News at Sunnise.' So it really opened up
a whole different level of news for me."
During the evening, CNBC be-
comes a grab bag of consumer infor-
mation and talk shows. On "Smart
Money," with Ken and Daria Dolan,
viewers call in for tips on money man-
agement. "America's Vital Signs" doles
out health and lifestyle advice, and
Emily Quinn explores consumer top-
ics on "Steals and Deals."
CNBC's lead nighttime characters,
each with his own talk show, are
Cavett, Washington pundit John
McLaughlin and the irrepressible
Morton Downey Jr.—who has left be-
hind "the chair-throwing, skinhead
era of his life," Barber said assuredly.
The cable channel's sometimes awk-
ward combination of hard-boiled finan-
cial news, over-easy consumer report-
ing and prime-time entertainment
continues to draw industry charges that
CNBC does not know who its audience
is. Critics maintain that FNN adequa-
tely serves the financial community, and
CNN and the major networks already
provide sound consumer reporting.
But Barber simply pointed to
CNBC's competitive ratings with FNN
and its growing subscriber base. He also
laid out plans for CNBC's future.
A nationwide hunt is now being
held for a radio talk show host to be-
come in February the cornerstone of a
nighttime, weekend block of live, call-

in programming (when CNBC current-
ly runs repeats of its weeknight shows).
To capitalize on Dorfman's com-
mentary skills, an afternoon talk show
with a panel of business leaders is in
early development. And in the next few
months, Barber expects to cut deals
with hotels and cruise ships to pipe
CNBC to an international market.



In an attempt
to draw viewers
and attention
to itself, CNBC
went after name
talent such as
talk-show host
Dick Cavett.

IS TWO TOO MUCH?

I s there room for two networks that spe-
cialize in business and financial news?
"Let's put it this way," New York finan-
cial analyst Mark Riely said, "I don't think
cable operators feel that in the midst of
channel scarcity it's the most productive
thing to have two duplicate services."
Ratings from the A.C. Nielsen Co.
show that FNN has the edge over CNBC
during the business day, but CNBC pulls in
slightly more viewers at night. FNN's after-
noon rating is .3, meaning that with 35.4
million subscribers an estimated 106,200
of them flip to the station at some point in
the day. During roughly the same time,
CNBC draws 33,400 viewers nationally
based on a .2 rating in 16.7 million homes.
Some cable operators offer both net-
works. West Valley Cablevision in
Chatsworth carries CNBC full-time, but
FNN only during the day, switching to Prime
Ticket at night. "The two are competitors in
a sense," general manager Tom Belcher
said. "But FNN is still more for the hard fi-
nancial person. CNBC is more attuned to
the everyday consumer, who may or may
not be involved with the stock market."
But, Joyce Newman, a television pro-
ducer for the nonprofit Consumer's Union,
suggests that a consumer-oriented cable
network has its limitations. "We take an
approach on product stories," she said.
"CNBC is not going to do that sort of con-
sumer story. It's not in their best interest
because they need advertisers."
In the long run, Riely said, CNBC's real
threat may not be FNN at all. "There are
some in the industry, including Ted Turner,
who believe that CNBC will never find a
way to be profitable in the financial news
service, not with FNN as a competitor," he
said. "CNBC will have to turn to broader
news, and that makes CNN its major com-
petitor." —D.C.

FNN owner can't pay loan

Associated Press

NEW YORK — Infotechnology Inc., the cash-strapped owner of Financial News Network and United Press International, said Friday it could not repay a \$20.7 million loan that was called in early.

The lenders, Security Pacific National Bank and MidLantic National Bank, now have the right to foreclose on Infotechnology's 46 percent stock interest in FNN, a cable television network.

The FNN stock was placed as collateral for the loan, which originally was due next July. The banks did not say whether they would exercise their foreclosure option. Security Pacific said in a statement: "The credit is in default and the banks have moved to protect their interests."

An Infotechnology spokeswoman said the company's cash flow did not allow it to pay the principal and interest on the loan, which was called for payment by Los Angeles-based Security Pacific. MidLantic is based in Laurel, N.J.

The banks did not say why they called in the loan early.

The Infotechnology spokeswoman, who asked not to be named, said the company believes the banks will not foreclose on the loan. She said Infotechnology would continue seeking buyers for its media subsidiaries to raise cash.

The development was the latest blow to Infotechnology, whose FNN subsidiary reported a \$72.5 million loss for its 1990 fiscal year. UPI, a news wire service, reportedly has been losing as much as \$2.5 million a month.

Last month, UPI union and management employees agreed to a 35 percent pay cut for 90 days to give the news service time to find a buyer.

CORRECTIONS & AMPLIFICATIONS

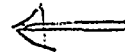
DEL MONTE FOODS Inc. of San Francisco, a privately owned company, was incorrectly identified in the Dec. 10 edition as a subsidiary of Polly Peck International PLC, which has a subsidiary named PPI Del Monte Tropical Fruit Co.

* * *

PROCTER & GAMBLE Co.'s retiree health benefits liability is less than \$2 billion, and the company says it retains legal liability for the retiree medical benefits of its employee stock ownership plan. P&G's benefits liability was misstated in the Dec. 13 edition. While the IRS is reconsidering its letter approving the qualification of P&G's ESOP plan, that letter hasn't been withdrawn, and P&G is proceeding with its share repurchase program as outlined to shareholders.

* * *

UNITED PRESS INTERNATIONAL is 97%-owned by Infotechnology Inc., which also owns 47% of Financial News Network Inc. An article in Wednesday's edition incorrectly identified UPI as an FNN unit.



BUSINESS BRIEFS

Financial News Network

Financial News Network Inc., as expected, reported a loss of \$72.4 million for fiscal 1990, reversing previous results that are believed to have been artificially inflated.

A per-share figure wasn't given for the latest period, and year-earlier results weren't immediately available.

Last month, FNN said it expected to post a \$72.5 million loss for the year ended June 30. In a filing with the Securities and Exchange Commission, the New York concern said a number of factors contributed to the loss, including bad lease agreements; payment of funds to United Press International, which FNN owns; new product investment costs and a change in reporting income for two major contracts. FNN also said it is in the process of revising reports for the first three quarters of fiscal 1990, for which it had reported net income of \$4.8 million.

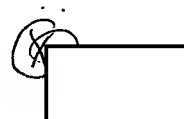
As previously reported, more than half of the losses for the year relate to eliminating its controversial intracompany transactions. Those transactions are believed to have inflated financial results. FNN's new auditor, Coopers & Lybrand, apparently ruled out such transactions in its review of company finances, prompting FNN to disclose its forecast of the loss.

X

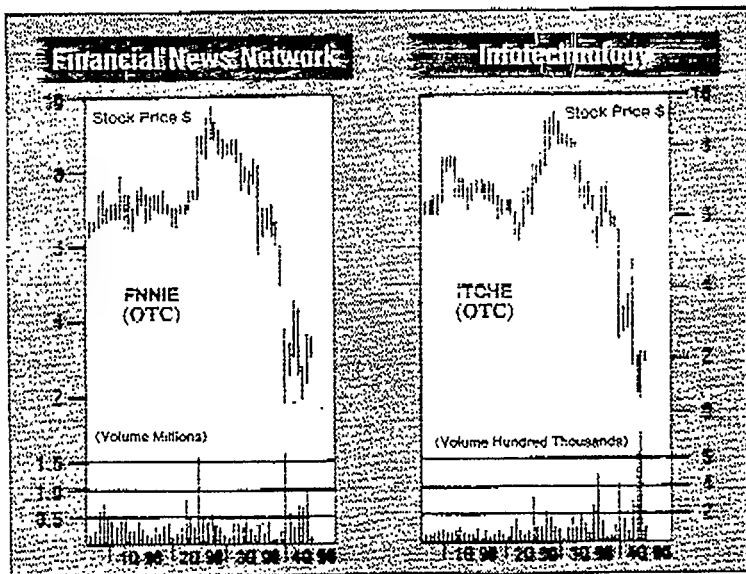
D2 . SATURDAY, DECEMBER 22, 1990 ★

BRIEFLY

Infotechnology Loan Called In: Security Pacific National Bank unexpectedly called in a \$20.7-million loan to Infotechnology Inc., stating the company was "in default" and the bank had "moved to protect its interests." Infotechnology owns 46% of Financial News Network Inc., a popular cable-TV business news channel, which has been in financial turmoil for several months since disclosure that it had cash flow and accounting problems. Infotech and its various assets, which include a 97% stake in United Press International, are up for sale.



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Barron's / Knight-Ridder Tradecenter

The Real Scoop

Behind the Bad News at FNN and Troubled Infotech

BY NANCY GIL NEWMARK

MARGARET Wienczek remembers vividly the day the auditors from Deloitte Touche walked out on the Financial News Network. "All of a sudden one day, they came in and had a big meeting with management. Deloitte cleared out that afternoon. Senior management said, 'Oh, they'll be back.' But they didn't come back. And, right after that, there were all those newspaper articles saying FNN had fired them."

That was two months ago. Deloitte said goodbye to both FNN and Infotechnology, FNN's controlling shareholder. The accountants refused to sign the companies' fiscal 1990 financial statements and disclaimed as well their former approval of Infotechnology's and FNN's fiscal 1989 financial statements.

Wienczek was caught off guard, but she wasn't entirely shocked at the turn of events. As director of administration at FNN, and assistant to C. Steven Bolen, FNN's chief financial officer, Wienczek had an unobstructed view of how the Financial News Network was handling its finances behind the scenes. Not only did she oversee payroll and purchasing, she arranged for FNN's insurance and handled the paperwork for insider stock transactions. During 1988 and 1989, Wienczek also frequently took the minutes at the company's board of directors' meetings.

And by last summer, Margaret Wienczek had come to the conclusion that the cable television network that dispensed financial wisdom and information to some 35 million American households was, in effect, cooking its own books: "The general ledger was doctored—changed to fit whatever Mr. Bolen wanted it to be." Within the past month, Wienczek has brought her charges to both the SEC and the Los Angeles U.S. Attorney's office, which has turned the case over to the FBI.

In a series of exclusive interviews with *Barron's*, Wienczek and David Zadroga, one of three accountants from FNN's Los Angeles headquarters, have revealed much of what they saw over the past year at FNN. "The company claimed it was finally turning a profit, but if you did a straightforward accounting, they were probably losing \$2 million-\$3 million a month," Zadroga asserts.

"Deloitte estimated that they were losing \$40 million in 1990—after you take out the related-party transactions," Zadroga, who left the company last month, says that these estimates find confirmation in FNN's own documents.

"I've been an accountant for 13 years, but I'm not a financial expert," Zadroga comments. "I can't explain everything that was going on. I was a chemistry major in college—I've been doing accounting from experience for the last 13 years. But I have my files, including three sheets of paper, with numbers written down by Bolen and Mitchell Young, FNN's comptroller, telling me how much revenue to book, and how much to book in capitalized costs. I was supposed to work backward from those totals, and come up with entries. I didn't tell the auditors anything until the investigation had begun. But I also have copies of little memos I sent to Bolen and Young, asking for backup."

"I was stupid. I guess, or ignorant, or loyal—or whatever you want to call it, until, I guess, the end of last July. Then, the auditors began to ask questions and I began to see the whole picture. The backup didn't exist."

Indeed, Zadroga notes, FNN's books had a certain symmetry that comes from reckoning the bottom line first: "If you look at the 10Qs, they increase their bottom line by the same increment each

quarter. ... Not too many companies work that way."

Both Wienczek and Zadroga insist that Bolen, FNN's chief financial officer, didn't perform his bookkeeping ledgermain all by himself. "I would presume Bolen did what he did at the order of Dr. Earl Brian," declares Wienczek. Brian was the chief executive officer of both Financial News Network and Infotechnology, which held a 47% stake in FNN, and, Wienczek observes, "Bolen answered to Brian."

Indeed, a close look at both Infotechnology and FNN's financial statements reveals numerous "related party transactions" between companies owned or controlled by Earl Brian. According to Zadroga, such transactions accounted for the difference between FNN's showing a profit or a sizable loss each month.

Earl Brian's financial empire consisted of interlocking pieces that include, besides FNN and Infotechnology, United Press International (UPI), the beleaguered wire service; Telecommunications Inc. (TII), a privately held computer-based information systems company; Data Broadcasting Corp. (DBC), a privately held videotext company that provides stock quotations to personal computer users; Hadron Inc., a government contractor; the Learning Channel, a privately held educational cable television channel, and various other companies, some of them shells. (See chart on page 38.)

Virtually every company in Brian's web had a service contract with another Infotechnology-controlled company. Even if no services were performed, sometimes "accounts receivable" were booked.

"They kept money going around in a circle—just one step ahead of the auditors," says Wienczek.

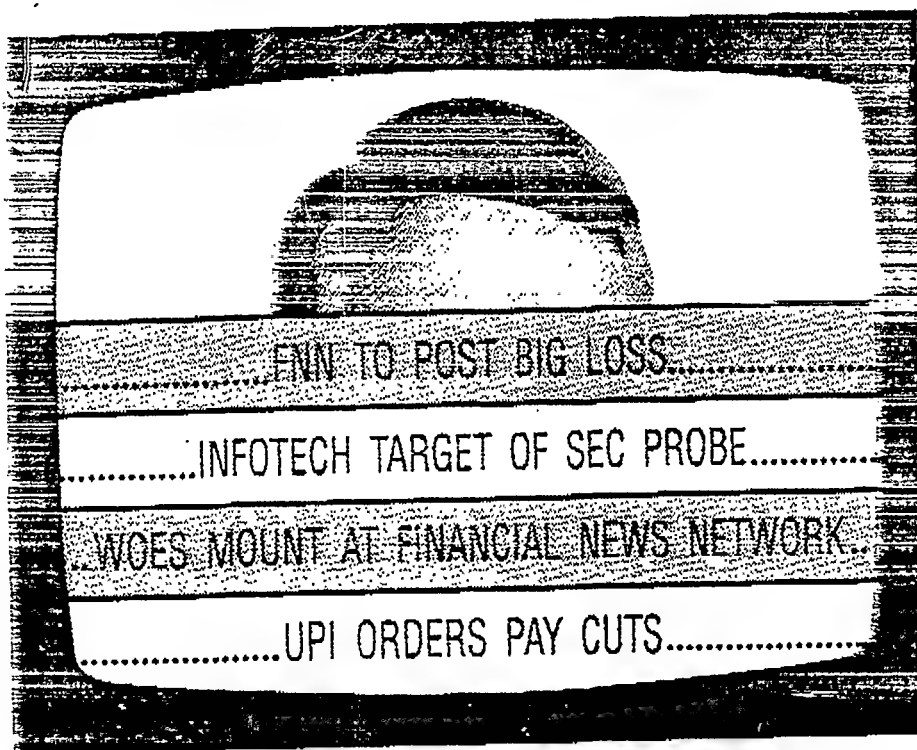
At the top of the empire, Infotech

managed the welter of related party transactions, and management, in return, received fees. According to its 10Q dated March 31, 1990, Infotechnology earned \$3.8 million in management fees for the nine months ended March 31—up from just \$1 million in the comparable year-earlier period. In the same nine months, Infotech also reported over \$1 million in "interest from loans to component companies." Not only did Infotech own a significant stake in the various companies in Brian's empire, but the companies themselves frequently swapped stock with each other and commingled funds and assets to a degree that would ultimately baffle even the auditors.

"Who's going to be able to follow that paper trail?" asks an insider at UPI. "They were shifting assets often enough that it becomes spaghetti." Asked about the relationship among UPI, FNN and Infotech, Infotech's spokesperson referred *Barron's* to Milton Capps, UPI's spokesperson, who could only observe: "It does seem to be a complex matter."

Former FNN accountant Zadroga says that not all of the accounts receivable generated by "related party transactions" were ever paid. "Most of these revenues that they booked from related parties were revenues they would never get," he avers, and he offers this example: "If UPI was making anything, it was nowhere close to the revenues we booked from them—about \$4 million a quarter. That was just a number given to me."

The pattern is confirmed by Graham Keeping, former president and CEO of Comtex, a company that provided electronic distribution services for UPI, and was absorbed into the Infotechnology matrix in 1986, when a group led by Brian took over the wire service. "Suddenly, Comtex began getting bills from



Atlantic Contracting, a Hadron subsidiary, for services they claimed they rendered to Comtex. But we had never received any services, nor had I ever signed any contract for any services. The bills had mounted up into the thousands when I resigned."

Keeping relates: "Part of the deal was that Brian's group would get two board seats. At the second directors' meeting, they voted themselves two more board seats. Then, they funneled a large percentage of Comtex's activity and service into DBC, (98% owned by FNN), the company they have that provides stock quotations to personal computer users. They made Comtex a division of DBC, and DBC was the silliest idea I ever heard of. No one was going to buy that service for several thousand a month—and pay several thousand for a computer, to get those stock quotations. At that time, they'd been running DBC for one-and-a-half to two years, and weren't even in smelling distance of their original marketing target."

not doing as well as hoped. "Not long ago, FNN's insurance company wanted a list of people subscribing to DBC services. When I called Microage, the company that manufactured the DBC boxes, to get the list, I was told that the manufacturer had been told to keep on producing serial numbers, but not to make the boxes. There were far more serial numbers than boxes actually produced."

Keeping was an outsider, never more than an interested spectator. Zadroga explains how, inside the close-knit family of companies, Infotech executives who took orders from management worked together on their cooperative bookkeeping ventures. "The powers-that-be would come up with these schemes and have people write these contracts up. They were internally generated by management—it was really all the same management. And, if one of the companies' records disagreed with

another, they'd just send them a note back saying, 'No, it's not \$300,000; it's \$700,000—just revise it or do something to show that you owe us \$700,000.' It happened all the time. They'd agree to whatever FNN wanted."

"In a way, FNN was the parent company—though Infotech was the head honcho. FNN was the company Earl Brian hoped to sell and make a lot of money on. They had a number in mind and they would do whatever they had to do to get that number." In response to *Barron's* requests for an interview with Brian, an Infotechnology spokesperson replied that he was not available.

C. Steven Bolen, the chief financial officer for FNN and Brian's business associate for more than 20 years, was fired when the auditors began to raise questions.

When Financial News Network's board of directors launched an investigation of FNN's finances last summer, it was discovered that Bolen had paid himself some \$795,000 in bonuses that the company termed "not properly authorized."

"Bolen was building a house. So, he paid himself \$150,000 a month," Wienczek explains. Neither Bolen nor his attorney, Howard Weitzman, has returned *Barron's* phone calls.

But, apparently, Brian did not fire Bolen immediately. Instead, last summer, executives from Infotechnology-controlled companies on the East Coast were flown to FNN's Los Angeles headquarters to oversee the Deloitte audit. Bolen told FNN's accounting staff that he was taking an extended vacation and then moving on to bigger and better opportunities.

Wienczek recalls the meeting: "Last July, everyone involved in the year-end audit was brought to Bolen's office, one by one, and introduced to Gary Prince, a vice president from Infotech, and Sandy Sewatch, vice president and cor-

porate comptroller from UPI. Bolen told us, 'They will be overseeing the audit. Please cooperate with them as you would with me.'" (Last week, *Barron's* received a call from a former accountant at UPI outraged that Prince has not borne more public responsibility for the financial debacle at FNN and UPI. "I'm so tired of seeing all the stories focus on Bolen. Mr. Gary Prince was in charge of finances here and at Infotechnology," the former UPI employee said, "and he goes along jauntily as if nothing can harm him personally. But he has the power.")

In August, Deloitte Touche started its official audit, while Infotechnology's attorneys at Gibson Dunn & Crutcher began an investigation at the behest of FNN's board of directors. Early in August, Earl Brian appeared briefly on the scene.

As the audit proceeded, the auditors appeared increasingly skittish. Zadroga reports, "Deloitte began to see some things, and they wouldn't always talk to the comptroller, they'd talk to us. Our answers led them to other questions, and other questions. They started calling Data Broadcasting (98% owned by FNN) and UPI about related party transactions—and Data Broadcasting and UPI weren't prepped to answer these questions."

"The accountants from Deloitte were straightforward accountants," Zadroga continues. "In an audit, you get typical grunt workers who do their job. The grunt workers can find things wrong, but they don't make the final decision; the accounting firm's partners make the final decision on what to report. But Deloitte's partners didn't like the way things had been handled a year earlier, during the '89 audit. A lot of questions were brushed off, and it looked like in '90, Deloitte's management had decided they weren't going to let FNN push anything through. Also, by 1990, Deloitte Haskins & Sells, the firm that did

the '89 audit, had become Deloitte Touche. And I think the Touche people took a tougher attitude."

Zadroga remembers the events leading up to the day the auditors quit. "We had done some post-closing entries, and they saw it was just further screwing around. We'd reversed roughly \$6 million of capitalizations done during the first three-quarters of the year. The powers-that-be had come up with another number, about \$2.3 million, and they didn't have any backup available. Deloitte said, in essence, 'That's it. Goodbye, gentlemen.'"

Over a month earlier, in August, Wienczek and Zadroga say they were ready to report what they knew to the SEC. But, they recall, the attorneys from Gibson Dunn urged them not to go to the authorities on the grounds that they were already investigating the matter.

"I knew that people on the accounting staff were coming in weekends and doctoring the general ledger. I just got so upset I had to say something," Zadroga recalls. "Personally, I thought none of us should have been allowed in the building during the audit and investigation. They should have got a conference room somewhere and interviewed us there. But everyone had access, and some employees were altering the books. I told the auditors what I knew toward the end of August. One of the auditors told me, 'It looks like things are going to be brushed off.' I said, 'The hell with that. I've already got a letter in my computer to the SEC.'"

"The auditors told Gibson Dunn, and a couple of days later, two attorneys from Gibson—Dhiya el-Saden and Bradford Weirick—called me in," Zadroga remembers. "They asked about the letter and Dhiya said, 'I wish you wouldn't.' He told me that there was more money and more people involved than I could possibly comprehend. If there was wrongdoing, he said they'd handle it and make sure it was properly taken care of. And I believed them."

The attorneys who spoke to Zadroga weren't available to comment. But John Olson, a senior partner from Gibson Dunn overseeing the case, told *Barron's*: "The special committee of the board of directors of FNN was fully briefed as to information obtained throughout the inquiry and has in turn reported to the board of directors. We are advised that the company and its auditors have taken appropriate steps to protect all relevant company records and documents. As previously reported, the company is cooperating with an investigation being conducted by the Securities and Exchange Commission and is in the process of producing documents requested in that investigation. As a matter of our professional obligations, we cannot and will not comment further."

But Wienczek remains skeptical and she and Zadroga are cooperating with both the SEC and the FBI in their investigations of FNN's finances. "I was ready to go to the SEC myself, last August, and I should have," she says. "But the attorneys fed me a sad line about how much money and how many lives would be ruined."

Indeed, jobs and livelihoods were at stake. Deloitte left at the end of September, and on Oct. 12, the day Infotech learned that the SEC had issued a formal order of investigation, FNN's chief financial officer, C. Steven Bolen, was fired. Four days later, Bolen's entire 22-person accounting staff—including Margaret Wienczek and David Zadroga—were terminated without notice.

Continued on Page 38

Real Scoop

Continued from Page 9

While firing Bolen and his staff, Infotechnology announced that Coopers & Lybrand had been retained to replace Deloitte and that an audit would be completed as soon as possible.

But even before that accounting was finished, at the end of October, FNN announced it had insufficient cash flow to meet operating expenses or to cover maturing obligations. Infotech soon followed with a similar confession of inadequate cash flow, and installed new management at both Infotech and FNN.

On Oct. 24, Alan J. Hirschfield and Allan R. Tessier were named "co-chief executives" of both Infotechnology and FNN, effective immediately. But Brian was not exiled from his empire: He would remain "non-executive chairman" of the boards of both companies.

Tessier, a lawyer, and formerly a member of Infotechnology's board of directors, had been Brian's business associate and adviser for many years. Indeed, when *Barron's* asked Brian some ticklish questions during an interview in February of 1988, he responded, "You'll have to refer those questions to Allan Tessier, at Shea & Gould."

Hirschfield, formerly chief executive officer of both 20th Century-Fox and Columbia Pictures, has a long association with Alan & Co., the investment banking house that helped launch a number of Brian's business ventures.

Hirschfield and Tessier refused to be interviewed. (An Infotechnology spokesperson told *Barron's* that they would entertain only written questions, and provide written replies, because of unspecified "inaccuracies" in a previous *Barron's* article on FNN.) But seemingly, Infotechnology's new custodians can hope only to oversee the sale of key parts of Earl Brian's tarnished empire. Meanwhile, the stock prices of both FNN and Infotechnology have collapsed. Infotechnology shares, which traded as high as \$9 earlier this year, sank to \$1 in recent weeks, while FNN stock has plunged from over \$9 to \$2.

Before the recent revelations of financial difficulties, everything seemed to be going swimmingly at FNN. Just a month before FNN disclosed its lack of cash, *Business Week* reported: "FNN is doing fine on its own. While FNN's facelift flattened earnings for several years, the upturn has arrived. For fiscal 1990, ended in June, profits are expected to jump about 70% to \$5 million, on \$80 million in revenues."

Lenders were equally generous in their assessments. According to Infotech's March 31, 1990, 10Q, during the quarter

ended Sept. 30, 1989, Infotech signed a \$20 million loan and security agreement that matures in July 1991—secured only by the company's holdings of FNN common stock. Infotech lenders upped the total in February 1990 to \$25 million. By March 31, 1990, the company had drawn down some \$17 million of this line of credit.

Not everyone, to be sure, was delighted with Brian's stewardship. Thus, Avacus Partners, an investment firm with a 7% interest in Infotech, grew increasingly disturbed at transactions among companies controlled by Infotechnology and

members of the Brian empire that the firm's attorneys deemed "questionable." Last month, Judge William T. Allen denied a motion for summary judgment to dismiss on four out of five counts, intimating that the firm's allegations—that the Brian empire was engaged in a "scheme to defraud"—were plausible.

The new management has placed a high priority on the network, the jewel of the empire. In the Black Box, the company's weekly newsletter, FNN and Infotechnology employees own up to "wasting \$7 million in cash and \$60 million in outstanding lease obligations" and ex-FNN

employees "paid in 10 aces and inflated their own salaries and another \$1 million on leasing equipment. Right there, you have \$2 million, and a large company with a satellite link-up easily had more than another \$1 million a month in expenses. There were almost 20 separate expense lines, and we used most of them every month. For instance, we had a large pool of contract labor, freelancers, who were paid roughly \$400,000 a month. And there was over-inflated office supplies, transmission expenses, satellite expenses, utilities, rents for the buildings.

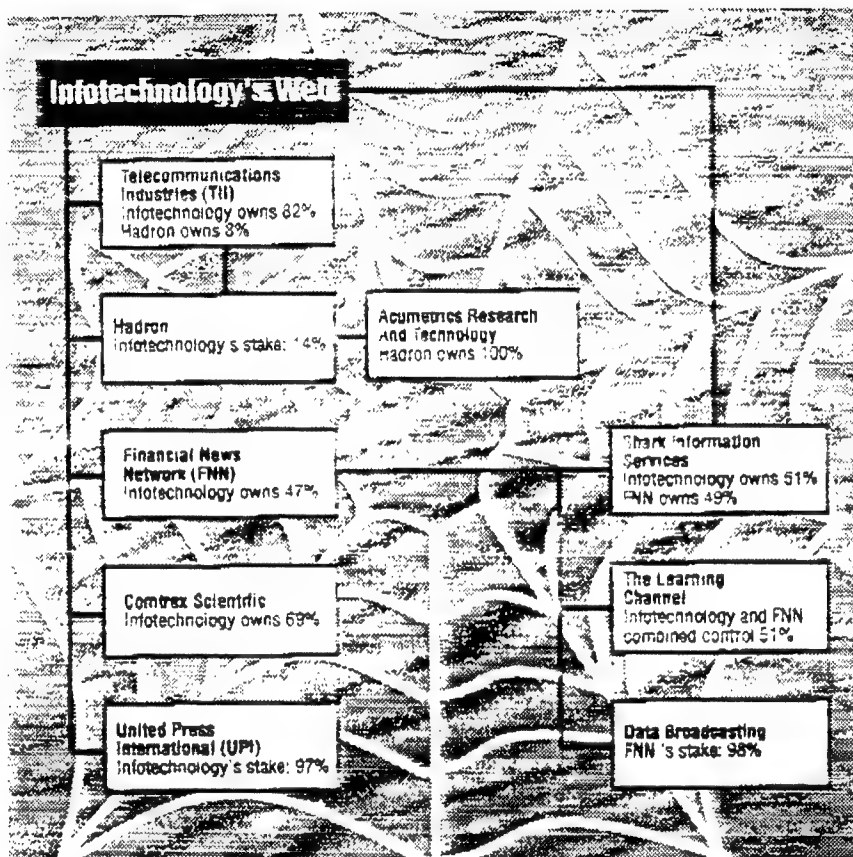
While FNN's books reveal some dubious accounts receivable, that by no means, Zadroga insists, tells the whole story. His contention: Some revenues were simply bogus. "For instance, the leases. Some of the lease deals were legitimate, but some weren't. What FNN would do to raise cash is sell equipment, and then lease it back—except they'd do a sale and leaseback with the same piece of equipment to several different companies."

Zadroga elaborates on how the scam worked: "FNN went to a company in Buffalo, N.Y., that created blank metallic labels, and then FNN typed in made-up serial numbers and had people in production put them on pieces of equipment. The company made an arrangement with the auditors that they would let us know what equipment they wanted to inventory so it could be ready. I used to joke with one of our financial people: 'What if they want to see all of the equipment at once? Is the auditor going to be willing to turn around while someone switches labels?'" The Buffalo plate-maker confirms that FNN was a customer.

FNN's value as a salable property, of course, lies not only in its financial condition and its profitability and cash flow, but also in its "franchise," the slot on the dial that gives it entry to 35 million homes. It is, after all, the best-known name in its particular niche and, for a long while, enjoyed a monopoly as the financial news network. But that name has been besmirched and, it turns out, the franchise is not carved in stone. "Brian was just trying to sign on as many subscribers as he could—so he could sell FNN. He's a venture capitalist—he wasn't as concerned about the long term and, as a result, most of FNN's contracts don't have carriage obligations," says a rival in the cable television industry. "In cable-speak that means that the contract defines the terms by which FNN must be carried—if it is carried. But you don't have to continue carrying it. If you decide you don't like FNN anymore, the bulk of these contracts are deals that you can walk away from."

Meanwhile, FNN's rival, CNBC, is ready to walk in. With deep pockets from NBC (read: GE), CNBC has, despite its huge losses, been able to persist, and now boasts 17 million subscribers—roughly half FNN's total. Observers have long said that CNBC poses a long-term threat. But now that FNN has been forced to broadcast its own bad news, that threat grows more imminent.

In sum, just how much FNN might fetch from one of the bidders reportedly interested in acquiring it is a question. But what is certain is that the startling revelations about the network and its parent, and the prospect of more to come, mean that it's worth a lot less than it was just a few scant months ago.



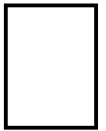
brought a suit charging that the company's directors had wasted its assets in a series of stock swaps designed "for the principal purpose of entrenching

accountant Zadroga reckons that, regardless of what it reported, the debt-ridden company was never truly profitable: "They received about \$3

They leased all of their buildings. For the headquarters in Los Angeles alone, they were paying at least \$100,000 a month."



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The Real Scoop On FNN's Bad News



Earl Brian

FNN TO POST BIG LOSS

INFOTECH TARGET OF SEC PROBE

AND ON
TROUBLED INFOTECH

TWO TOP TRADERS:
PLAY THE RALLY!

A CAUTIOUS PRO'S
TEMPTING PICKS

UP & DOWN WALL STREET

By ALAN ABELSON

THE WORLD'S coming to an end, so wouldn't you know it? materializes out of nowhere a new set of scolds to wag a finger at us and insist that we face it like a man. No matter how pressing the provocation—bear market, near-war, higher taxes, recession, depression, the loss of Darryl Strawberry—we're supposed to resist the temptation to sorten the impact with the usual aid and comfort. No matter that we always get a headache when we look into the abyss. No matter that *vino* has always been tight with *veritas*

(or is it the other way around?). If we know what's good for us, we'll stop washing down our aspirin with vodka.

The source of this latest outrage against civilized behavior is the Bronx Veterans Affairs Medical Center, whose researchers, according to a report they published in the most recent Journal of the American Medical Association, claim that aspirin and booze are a no-no combination that actually makes you blotto faster. They plied volunteers with a glass and a half of wine, and those worthies, while downing that potent potion, consumed two tablets of aspirin (extra-strength, of course). Unfortunately, the deed was done behind closed doors; hence there was no graphic description in the account in the New York Times of the ensuing weird acts by the subjects of the experiment. But we've no doubt that the floor

of the lab was littered with fall-down drunks, except for the instant inebriates who took to climbing the walls and the inevitable few who chomped away at the nearest phial.

Frankly, we suspect that these were potted plants, that the whole study was a temperance plot (with funding from the makers of Bufferin and Tylenol). And such suspicions were only reinforced by the considered reaction—a polite Bronx cheer—of Dr. Richard Vecch to the findings, as reported in the Times. Dr. Vecch has one of the longest official titles in all of medical science—"Chief of the Lab of Metabolism and Molecular Biology at the National Institute on Alcohol Abuse and Alcoholism at the National Institutes of Health"—and perforce must know whereof he speaks. He promptly demolished the

Continued on Page 47

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:38

Case ID: 29B-LA-115702 Serial: 24

Description of Document:

Type : FD302

Date : 01/07/91

To : LOS ANGELES

From

Topic

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b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 124

Employee

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:38

Case ID: 29B-LA-115702 Serial: 25

Description of Document:

Type : FD302

Date : 01/08/91

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 125

Employee:

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By JOHN LIPPMAN
TIMES STAFF WRITER

The agreement marks the first major asset sale by the former financial empire created by Earl W. Brian, a neurosurgeon-turned-entrepreneur who used FNN as the cornerstone for investments in dozens of companies, including ailing United Press International.

The price was not disclosed, but FNN said it was less than the company's total liabilities of at least \$142 million. Sources close to the deal said the price was between \$90 million and \$100 million.

Please see FNN, D13

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THE ASSOCIATION OF THE

15 May 1968 Times DL

Los Angeles, CA

Date 2/12/00

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1. We can use Joints Deep
Joints for Deep FNNs
NETWORK

C. 111 (4)

Classified as 2G, B, LA-11570-2

Los Angeles,

Indexin 1

FNN SOLD: A partnership formed by Dow Jones and Westinghouse Broadcasting has agreed to buy assets of the troubled Finar. 1 News Network. D1

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FNN: Other Bids Possible for Network

Continued from D1

FNN's other assets, which include a 51% stake in the Learning Channel and a 49% interest in Shark Information Services Corp., were not included in the sale. Even after those assets are sold, FNN said, the proceeds still would not cover the company's liabilities. FNN reportedly had originally sought about \$150 million for the channel.

Amber Gordon, a spokeswoman for FNN, said the company "expects to file a bankruptcy proceeding" before completing the sale of the cable channel. FNN owes \$50 million to banks and \$88 million in leasing obligations.

Dow Jones, which has limited experience in television, had considered a purchase of FNN in the past, but many observers had concluded that the country's premier supplier of financial news had long missed the boat when it came to television.

Peter R. Kann, chief executive of Dow Jones, said FNN "clearly fits the Dow Jones strategy of providing the highest-quality business news and information however, wherever and whenever our customers wish to receive it."

A Dow Jones executive, who did not want to be identified, said the company "has thought long and hard about this investment and we are confident that, in partnership with Group W, we can make money on it."

The company produces the weekly Wall Street Journal Report, which is syndicated to 76 stations, and provides daily television news feeds to stations in Europe and Japan.

| mg. | Bond | Cmt. | | | Bond | Cmt. | | |
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| | | Yield | Close | Chg. | | Yield | Close | Chg. |
| 1/8 | HudGn7s11 | cv | 70 | | SCIHld6zr95 | 45 | | |
| 1/2 | InstSy 12 1/2 97 | 15.6 | 80 | | Sanmk 12 7/8 01 | 82 1/2 | | |
| 1/2 | InlMk 7 3/8 07 | cv | 28 1/2 | - 2 1/8 | SvcMer 11 3/4 96 | 13.6 | 84 1/2 | + 1/2 |
| 2 | InlCir 14 1/2 06 | 45.3 | 32 | - 3 1/8 | SCE 8 7/8 00 | 8.7 | 101 1/2 | + 1/2 |
| 2 | JonesIn 13s00 | 17.6 | 74 | .... | SCE 9 5/8 03 | 9.4 | 102 1/2 | - 3/4 |
| 3 | Kogr 8.4s96 | 13.1 | 64 | + 4 | SwBell 8 3/4 07 | 8.9 | 90 1/2 | - 1/4 |
| 1 1/4 | Lynch 8s06 | cv | 76 1/2 | + 1 1/2 | SwBell 6 7/8 11 | 8.5 | 87 1/2 | - 3/8 |
| 1 | MagCop 16.7s98f | 100 1/4 | - 1/8 | .... | SwBell 7 3/8 12 | 8.6 | 85 1/2 | + 3/4 |
| 1 | MagCop 14 1/2 01 | 15.2 | 95 1/2 | - 1/2 | SwBell 8 1/4 14 | 8.8 | 94 | + 1 |
| 1/4 | MarkIV 7s11 | cv | 92 | .... | SwBell 9 1/4 15 | 9.2 | 101 | - 3/4 |
| 3/8 | Maxam 13 3/8 92 | 14.3 | 95 1/2 | + 1/8 | SwBell 8 1/2 16 | 8.9 | 95 1/2 | + 1 1/2 |
| ... | Maxam 12 1/2 99 | 15.0 | 80 3/8 | + 7/8 | SwBell 9 5/8 19 | 9.1 | 96 | - 1 |
| 1 | Maxam 16s00 | 17.2 | 93 | .... | Storer 10s03 | 16.0 | 62 1/2 | - 1/2 |
| 2 | Mediq 7 1/4 06 | cv | 43 | + 5 1/2 | TCast 17s99f | 23 1/2 | .... | .... |
| ... | Moog 9 7/8 06 | cv | 80 7/8 | .... | TmpTai 14s98f | 38 1/2 | - 1 | .... |
| 4 1/2 | Oakwd 7 1/2 01 | cv | 81 | + 1 1/2 | TurnBd 12s01 | 12.0 | 100 | .... |
| ... | OBrien 7 3/4 02 | cv | 115 | + 6 | TurnBd zr04 | 29 1/2 | + 1/4 | .... |
| 2 1/2 | OBrien 11s10 | cv | 109 | - 3 | USBknt 10 1/4 98 | 17.5 | 58 1/2 | + 1 |
| 2 | Oisten 7s13 | cv | 80 | - 1 | Viacml 15 1/2 06f | 102 1/4 | + 1/4 | .... |
| 1 1/2 | Openh 12 3/4 02 | 14.7 | 87 | + 1 | Wainoc 10 3/4 98 | 11.1 | 96 1/2 | + 1 1/2 |
| 3/8 | PlyGm 10s08f | cv | 65 | + 8 3/8 | Wang 7 3/4 08 | cv | 46 | - 3 3/4 |
| 1 1/2 | PrceC 13s96 | 144.4 | 9 | .... | Wang 9s09 | cv | 50 | + 3/4 |
| 2 1/2 | PSvEG 6s98 | 7.5 | 80 | + 1 | Wstlnv 8s08 | cv | 91 3/4 | - 3/4 |
| 3/8 | Pulte 8 1/2 08 | cv | 76 1/2 | .... | Wickes 12s94 | 14.0 | 86 | .... |
| 3 | RsrInt 6s94 | 14.1 | 42 1/2 | - 1/2 | Wickes 7 1/2-10s05 | 15.6 | 48 | - 1/2 |
| 2 | RsrInt 11s94 | 26.2 | 42 | - 2 | Wickes 11 7/8 01 | 18.8 | 63 | + 1 |
| 4 1/2 | Resur 10s05 | cv | 122 | + 7 | | | | |
| 1 | RyanMig 12 1/2 12 | 12.1 | 103 1/2 | - 1 1/2 | | | | |
| 1 1/2 | RyanM 12 3/8 13M | 11.7 | 105 1/2 | | | | | |
| 1 | RyanM 12s14 | 11.4 | 105 | + 1 3/4 | | | | |
| 1 | SCIHld 5zr94 | 55 | + 1 1/2 | | | | | |

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Dow Jones nonetheless has approached TV gingerly. When Cable News Network was founded 10 years ago, for example, Dow Jones turned down Ted Turner's invitation to provide business news programming for the network, a decision some in the company have deeply regretted.

"Dow Jones has been interested in FNN for several years," said Mark Riely, a partner in the New York investment firm MacDonald Grippio Riely. "This gives them a video outlet, one which I'm sure they hope will have international opportunities in the long run."

Don Mitzner, president of Group W Satellite Communications, said each partner would appoint half of FNN's six-member board.

"Aside from the purchase price, we are going to have to put some money into it for working capital," Mitzner said. "But we don't have a handle on how much yet." For the fiscal year ended June 30, 1990, FNN reported a net loss of \$72.4 million on revenue of \$52.6 million.

The partnership beat out a handful of other bidders, including NBC, Walt Disney Co. and King World Productions.

The agreement most particularly is a blow to NBC, which analysts thought would have made a more aggressive bid to acquire its principle competitor. NBC owns the Consumer News and Business Channel, a financial and consumer news cable network in 17 million homes.

One source close to the transaction did not rule out another bid emerging, especially from NBC, perhaps within the next few days. "This is only an agreement in principle, not a done deal," the source said.

Westinghouse Broadcasting, a subsidiary of Westinghouse Electric, owns five TV stations and 20 radio stations. But in recent years, Westinghouse has de-emphasized its broadcasting interests in favor of expanding into the cable business.

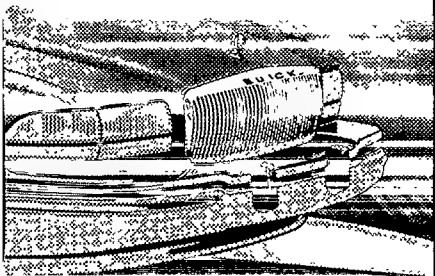
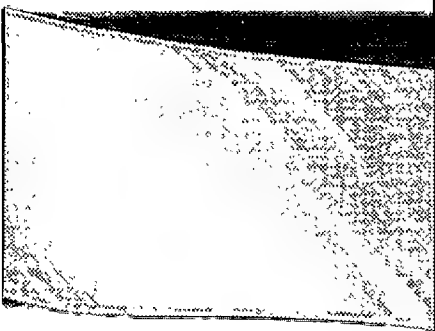
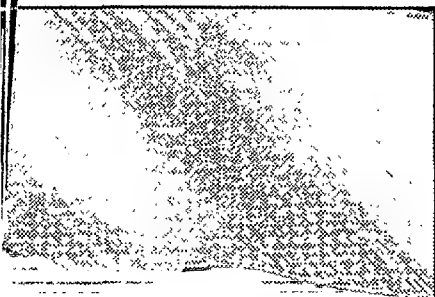
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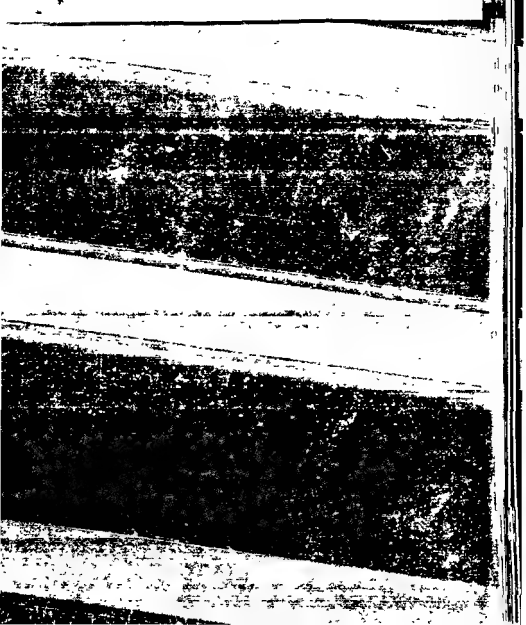
Westinghouse handles marketing for the Nashville Network in addition to owning one-third of cable channel Country Music Television. It has an interest in Home Team Sports, a sports channel in the Washington-Baltimore area, and recently acquired a stake in Prime Network, a consortium of regional sports networks.

FNN has 345 full-time employees and 160 part-timers in the production and programming area. Westinghouse is expected to retain some but not all of FNN's advertising, marketing and affiliate relations staff.

Although FNN contends that the cable channel is available in 35 million homes, some prospective buyers questioned the stability of the subscriber base. About 28 million of FNN's subscribers are full time, but 7 million subscribers do not receive the channel during prime time. Westinghouse's Mitzner acknowledged that rebuilding the subscriber base is a priority, even though the cable industry is going through a sluggish time because of the recession.

The purchase of FNN by Dow Jones and Westinghouse ends five months of turmoil that began last October, when the company disclosed financial irregularities that resulted in big losses and later defaulting on its bank loans.

Staff writer Victor F. Zonana in New York contributed to this story.



1991

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(Mount Clipping in Space Below)

WEDNESDAY, FEBRUARY 13, 1991

FNN will sell media operations

Deal may force firm to file Chapter 11

By Cyndia Zwahlen
Daily News Staff Writer

Financially troubled Financial News Network Inc. announced Tuesday that it has agreed to sell its business news cable television operations to a joint venture owned by Dow Jones & Co. Inc. and Westinghouse Broadcasting Co. Inc.

FNN did not disclose the sale price, but indicated it would be less than its estimated \$140 million in liabilities. That is expected to force the company to seek protection under Chapter 11 of the U.S. bankruptcy laws, according to a company spokeswoman.

"FNN does expect to file bankruptcy proceedings in order to effect the sales transaction," said FNN spokeswoman Amber Gordon. She would not comment on the timing or sequence of events.

The deal is subject to the signing of a definitive agreement, approval by the FNN board, and antitrust clearance by the Federal Trade Commission.

The sale includes the syndicated television program, "This Morning's Business" and a business radio show. FNN's 51 percent stake in The Learning Channel cable network is not included. Final approvals should be completed within 90 days, the company said.

Gordon said it was too soon to tell how a bankruptcy filing would affect the company's 300 or so Los Angeles employees.

FNN, which was put on the auction block in November, is 46 percent owned by Infotechnology Inc., which also owns 97 percent of the troubled United Press International wire service. The deal has no effect on UPI, which also is up for sale.

Dow Jones, which owns the Wall Street Journal, had been considered a likely buyer, along with NBC and Paramount Pictures.

Begun in November 1981, FNN is seen on 3,500 cable systems and reaches about 35 million households.

The joint venture is expected to expand FNN's current 60 percent share of U.S. cable viewers, according to Mark Riely, a principal with MacDonald Grippio

See **NETWORK** / Pg. 2

(Indicate page, name of newspaper, city and state.)

Daily News
Los Angeles, CA

Date: 2/13/91
Edition:

AM
BUSINESS Pg 1

Title:

FNN will sell media operations

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

Dow Jones, Westinghouse to buy FNN media unit

NETWORK / From Page 1

Riely in New York. Dow Jones now produces a syndicated TV show called "Wall Street Journal Report," and daily television reports for use in Europe and Japan.

"A joint venture makes sense because Westinghouse knows television marketing and sales, while Dow Jones can contribute its news gathering and editorial capabilities," said James Goss, an analyst with Duff & Phelps in Chicago.

The joint venture has agreed to manage the company along with FNN until the deal closes. The partnership did not specify any

plans for the cable network.

News of the relatively low sale price pushed FNN stock down 1 1/2% to close Tuesday at 3/8. Because the sale is not expected to cover the company's liabilities, there would likely be nothing left to pay out to shareholders, analysts said.

FNN stock had run up to \$3 a share on anticipation of the sale, said Lorraine Maxfield, an analyst at Paulson Capital Corp. in Portland, Ore.

The company reported a loss of \$72.4 million for the year ended June 30. It has yet to file its financial statements for the three months ended Sept. 31.

29B-LA-115702-27

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| FBI - LOS ANGELES | |

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 2/15/91

From : SA [redacted]

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Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



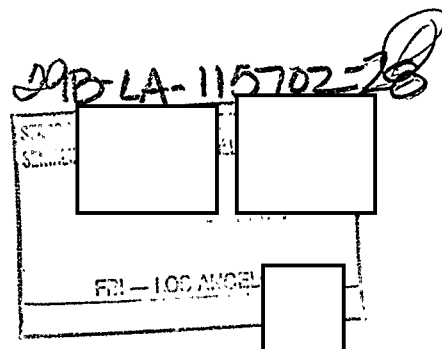
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

Officials of SECURITY PACIFIC NATIONAL BANK (SPNB) advised that TELEVISION CABLE COMPANY, FINANCIAL NEWS NETWORK (FNN) has been experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to SPNB and TORONTO DOMINION BANK.

Los Angeles has received information that the Los Angeles based FNN financial statements submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets and lease commitments.

The SECURITIES AND EXCHANGE COMMISSION (SEC), Washington, D. C., has also initiated an investigation regarding possible securities violations. On 2/20/91, the SEC is scheduled to depose [redacted] regarding his involvement with captioned subjects. [redacted] was responsible for setting up off shore bank accounts on behalf of FNN related parties to help inflate fictitious receivables on the financial statements of FNN.

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29B-LA-115702

Due to the fact that [REDACTED]
and does not frequent the U. S. often, AUSA [REDACTED] has
requested that SA [REDACTED] attempt to interview [REDACTED] during his
stay in Washington, D. C. Los Angeles will be coordinating this
interview with [REDACTED] Attorney, SEC. [REDACTED]
[REDACTED]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/4/91

On February 20, 1991, [REDACTED]

[REDACTED] telephone [REDACTED] was served with a Federal Grand Jury subpoena commencing [REDACTED] presence before the Los Angeles Federal Grand Jury on [REDACTED] advised Special Agent [REDACTED] that he would appear in Los Angeles at the United States Attorney's Office of [REDACTED] on that date. [REDACTED] further advised that he would agree to an interview by FBI, Los Angeles and [REDACTED] Los Angeles at that time.

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Investigation on 2/20/91 at Washington, D. C. File # 29B-LA-115702-29
by SA [REDACTED] Date dictated 2/25/91

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(Mount Clipping in Space Below)

FNN Files for Bankruptcy: Financial News Network Inc. filed for protection from creditors under Chapter 11 of federal bankruptcy law in New York bankruptcy court. In its petition, which had been expected, FNN listed assets of \$75.5 million, liabilities of \$145.4 million and secured debt of \$49.5 million. On Feb. 26, FNN announced that NBC had signed a definitive agreement to buy it for \$105.5 million. FNN said it expects to complete the sale within 60 days.

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 3/2/91

Edition:

AM

Business Section D2

Title:

FNN FILES FOR BANKRUPTCY

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-30

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Stolen Software Scattered

Affidavits Allege Sales
To Iraqis And Israelis

By Phil Linsalata
Of the Post-Dispatch Staff
©1991, St. Louis Post-Dispatch

Software that a federal bankruptcy judge says the Justice Department stole has been sold illegally to the governments of Israel and Iraq, according to documents filed Monday in federal court.

Canada is also illegally using the software in some 900 locations, the documents say.

The software, called Promus, was developed by Inslaw, a company based in Washington and owned by St. Louis natives William and Nancy Hamilton. It is used by law enforcement agencies to track cases and criminals.

The Hamiltons began a legal battle with the Justice Department eight years ago, when the agency stopped payment on a \$10 million contract to modernize its case management.

The Hamiltons contended that their software was stolen by the U.S. government while Ronald Reagan was president. In a trial, Bankruptcy Judge George F. Bason Jr. found that

See SOFTWARE, Page 9

FYI

29B-LA-16702-31



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Colorful Characters, Prized Product Lend Spice To Case

By Phil Linsalata

Of the Post-Dispatch Staff

Inslaw's case against the Department of Justice brings together a cast of colorful, diverse characters and a widely used software product. This is a look at two of the leading characters.

Ari Ben-Menashe

Ben-Menashe, 39, had a 12-year career with the Israeli government. During much of the 1980s he traveled the world to arrange the purchase of weapons for resale in accordance with Israeli policies.

He says that shifting political winds brought a job change in 1987, when he began a two-year

intelligence stint within the prime minister's office. He said that one of his last assignments there came in 1989 when he was asked to try to stop Carlos Cardoen's Chilean company from selling chemical arms to its main customer, Iraq.

"I failed," Ben-Menashe said of that mission. Shortly after, he was indicted by the United States on charges of conspiring to sell transport planes to Iran. His trial in U.S. District Court in Manhattan ended in acquittal last year.

Earl Brian

Brian is a businessman whose resume lists large stakes in Financial News Network and United Press International. His connection to

Promis software was first alleged in court records in which William Hamilton and his wife, Nancy Hamilton, recalled an aggressive buyout offer from Hadron Inc., a subsidiary of Infotechnology, a holding company owned by Brian.

Brian's attorney, Larry Hirsch, said Monday that claims by the Hamiltons against his client had been "absolutely false," from the first court record to the last.

Brian's more distant past includes a close relationship with former president Ronald Reagan. When Reagan was governor of California, Brian served as secretary of Health and Welfare.

His political ties surfaced again after Reagan nominated Edwin Meese III as attorney general. The investigation of an independent counsel dis-

closed that Meese had failed to report his wife's investment in two companies controlled by Brian and had failed to report a \$15,000 loan from a subordinate who was a close friend of Brian.

Promis Software

Inslaw's Promis software is indispensable in law enforcement circles. The software is used by federal prosecutors, by the city of New York and by Cook County, Illinois.

"Promis can be used as a professional workflow tracking system," Hamilton said. "It can support any kind of investigative activity, including law-enforcement investigations and, evidently, intelligence-operations investigations."

Software

From page one.

Justice officials had stolen the software from the Hamiltons "through trickery, fraud and deceit."

Affidavits filed Monday suggest that the matter did not stop with the theft.

In one, former Israeli intelligence officer Ari Ben-Menashe said he was present when a close associate of Reagan peddled the software first to Israeli intelligence and later, through a middleman, to Iraqi intelligence.

The associate is Dr. Earl W. Brian, a principal of two financially troubled companies, United Press International and Financial News Network. Brian held a Cabinet-level position in California when Reagan was governor there.

When the Hamiltons' company was under financial pressure as a result of the dispute with the Justice Department, a company controlled by Brian offered to buy Inslaw. Hamilton refused, and the Justice Department mounted an effort to force Inslaw into liquidation, according to court records. The effort failed, and Inslaw is seeking damages from the government.

Ben-Menashe's affidavit, filed in U.S. Bankruptcy Court for the District of Columbia, states:

■ In January 1989, as a Special Consultant for Intelligence Affairs in the Israeli Prime Minister's Office, Ben-Menashe was told by Chilean

arms manufacturer Carlos Cardoen that he had "brokered a deal" between Brian and "a representative of Iraqi Military Intelligence" for the use of the Promis computer software. The deal was consummated in Santiago, Chile, where Cardoen's company, Industrias Cardoen S.A., has its headquarters. Until recently, Iraq was that company's biggest customer.

■ In 1987, Ben-Menashe attended a meeting at the headquarters of the Israeli Defense Forces where Brian declared that the software was in use in the United States by the CIA, the National Security Agency, the Defense Intelligence Agency and the U.S. Department of Justice. Only the Justice Department is authorized by the court to use the software.

■ Brian, as a private businessman, said he had acquired the property rights to the software and consummated a sale to Israel in 1987, although he had allowed its use by the Israeli intelligence forces for as many as five years before the actual sale.

Reached Monday at his home in Oxford, Md., Brian called the allegations "nonsense." He said he had never been to Santiago or Tel Aviv and did not know Cardoen or Ben-Menashe. He said that until reading press accounts, he had never heard of the Hamiltons, Inslaw or Promis software.

Cardoen's attorney in the United States, Abbey Kaplan of Miami, said Ben-Menashe's affidavit "sounds like misinformation, designed to have people go in one direction in order to serve someone's purpose."

A second affidavit charges that the Canadian federal government is using Promis in 900 unauthorized installations, all within a single agency. This surfaced after an arm of the Canadian government surveyed all federal offices to develop an inventory of software and whether it could function in both French and English. The survey found Inslaw's Promis software, and the survey team then questioned the Hamiltons as to whether it could support use in French.

To learn more, the Hamiltons sent their daughter, Patricia Hamilton, an Inslaw sales representative, to Montreal. In an affidavit filed Monday, she said that Canadian officials confirmed that the software was in use there. But the survey records do not show which agency has the software. Nor do they show who provided it.

Dennis Lachance, manager of the bilingual research project, confirmed in a telephone interview Monday the use of Promis. He said he was working to trace the use to a specific agency.

William Hamilton said the affidavits filed Monday explained the "desperate efforts" of Attorney General Richard Thornburgh and his predecessor, Edwin Meese, to deny the validity of court rulings favorable to Inslaw.

"The new evidence," Hamilton said, "strongly suggests that the U.S. Government not only stole Inslaw's Promis software for its own use in law enforcement and intelligence agencies, but also was involved in the sale of the software to foreign governments."

Although the Hamiltons won in trial before the

bankruptcy court and were upheld on appeal in U.S. District Court, the Justice Department has appealed anew before the U.S. Court of Appeals.

During this process, a court-ordered stay bars the Justice Department's use or distribution of the Promis software beyond the offices where the software was in use when the dispute first arose.

The affidavits filed Monday were in support of a brief seeking new subpoena powers to gather evidence in support of the Hamiltons' claim that the Justice Department has violated the stay by distributing the software.

As the Hamiltons press their case in the courts, the Judiciary Committee of the House of Representatives is investigating the case in preparation for future hearings.

Among those deposed is Charles Hayes, operator of a government-materials salvage company in a rural area near Nancy, Ky. In a recent interview, Hayes said he told the Judiciary investigators that Canada and Israel had the software.

Hayes said he told the investigators that he had learned of Israeli possession from sources in the Mossad, an Israeli intelligence agency.

Hayes said that while under oath, he told the investigators that the software had been given to Canada by an individual "high in the Justice Department."

Hamilton said that sources had told him of more than a dozen foreign governments that got Promis through people connected with the U.S. government.

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 3/18/91

From : SA [REDACTED]

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b7C

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

On 2/20/91, SA [REDACTED] met with [REDACTED]

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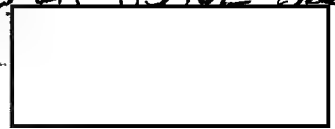
[REDACTED] SECURITIES EXCHANGE COMMISSION
(SEC), and [REDACTED] Senior Attorney, SEC, 450 Fifth
Street, N.W., Washington, D.C., telephone [REDACTED] at the
offices of SEC regarding the above captioned matter.

[REDACTED] advised that SEC was in the process of deposing
[REDACTED] AMS LIMITED, [REDACTED]
[REDACTED] discussed with SA
[REDACTED] the contents of SEC's deposition of [REDACTED] It was
discussed that FBI, Los Angeles and [REDACTED] Los Angeles were
desirous of interviewing [REDACTED] regarding the same documents
and subjects SEC was deposing [REDACTED] about. Since [REDACTED] was
under oath during his deposition by SEC, SA [REDACTED] advised [REDACTED]
that it was not necessary for [REDACTED] to be interviewed by FBI,
Los Angeles at this time. [REDACTED] will send SA [REDACTED] a copy of
[REDACTED] deposition in approximately ten days. Upon reviewing
[REDACTED] deposition, SA [REDACTED] will determine whether an
interview of [REDACTED] is necessary at this time.

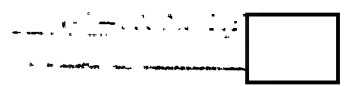
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29B-LA-115702-32



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Date 4/4/91
Edition LOS ANGELES TIMES

Title

Character
or
Classification
Submitting Office

Indexing

Judge Accepts NBC's Bid for Troubled FNN

By JOHN LIPPMAN
TIMES STAFF WRITER

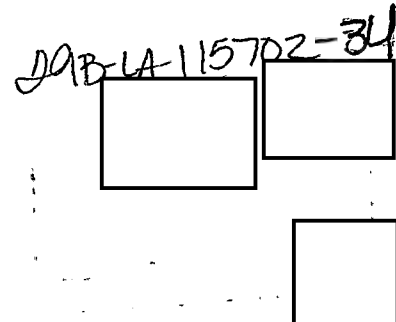
A federal bankruptcy judge Wednesday accepted NBC's sweetened \$115-million bid to acquire the troubled Financial News Network, rejecting a competing offer made by a joint venture of Dow Jones & Co. and Westinghouse Electric Co.

U.S. Bankruptcy Court Judge Francis G. Conrad said he would not accept the Dow Jones-Westinghouse bid, also worth \$115 million, because it did not follow rules he established for competitive bids.

The decision is not final because it is still subject to a Federal Trade Commission antitrust review. Nonetheless, it is a setback for the Dow Jones-Westinghouse partnership, which has been repeatedly stymied in its attempt to gain control of the ailing cable TV network.

In a packed New York courtroom ringed by attorneys for both parties, NBC raised its bid to match the partnership's \$115-million offer. But the judge disqualified the partnership's bid because it expired Wednesday and NBC's bid does not expire until May 31.

Conrad had previously ruled that any
Please see FNN, D5



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FNN: NBC Rebuffs Antitrust Concerns

Continued from D1

competing bid for FNN had to be identical to NBC's terms except for the price. NBC officials said they raised their purchase price for FNN to satisfy creditor concerns that the judge had disqualified a better offer.

Officials at Dow Jones and Westinghouse, however, expressed confidence that the FTC will rule that NBC's bid violates antitrust rules. The FTC has said it will decide the case by April 19. If it rules against NBC, then the case will be fought in the same U.S. Bankruptcy Court that favored the network Wednesday.

The battle for FNN is the latest twist in the cable channel's turbulent history. FNN's troubles began last fall after a series of damaging financial disclosures resulted in FNN and its parent company, Infotechnology Inc., filing for bankruptcy.

A new management team brought in late last year put FNN and Infotechnology's other assets, including 97% ownership of United Press International, up for sale.

NBC owns the Consumer News and Business Channel, a business news cable TV channel available in 18 million households. The network reached a definitive agreement in February to purchase FNN for \$105 million and plans to merge it with CNBC. That deal topped a previous \$90-million bid from the Dow Jones-Westinghouse partnership.

But on March 20, the partnership came back with a revised offer of \$115 million. Subsequently, 15 state attorneys general filed a peti-

tion asking the Bankruptcy Court to reject the network's bid on antitrust grounds.

Tom Rogers, president of NBC Cable, dismissed claims that NBC's bid for FNN violated antitrust rules.

"The fact that you go from two to one channels means absolutely nothing," he said. "The issue is how highly competitive the marketplace is already. We compete among all kinds of services for

access to cable systems and advertising."

All sides in the tug-of-war over FNN rejected the suggestion that they put aside their fight and agree jointly to operate and own a combined business news cable channel. Although such a venture would reduce each of the partners' risk in the still unprofitable channels, they have said they were not interested in a three-way partnership.

(Mount Clipping in Space Below)

FNN sale approved by judge

Rival network CNBC offers \$115 million

By Skip Wollenberg
Associated Press

NEW YORK — NBC's Consumer News and Business Channel moved closer Wednesday toward acquiring its chief cable television rival, the troubled Financial News Network, with a sweetened \$115 million offer.

Judge Francis G. Conrad of U.S. Bankruptcy Court accepted CNBC's cash bid at a three-hour hearing where he refused to consider a competing \$115 million offer from a partnership of Dow Jones & Co. and Westinghouse Broadcasting Co.

The Dow Jones partnership set conditions on how long its bid would remain open and the judge found that unacceptable under the ground rules he had set last month for the asset auction.

The judge, who normally presides in Vermont, compared the session he was running to an "old fashioned Vermont auction" where no one gets "to negotiate with the auctioneer."

Final approval of the CNBC deal, however, hinges on anti-trust clearance.

The Federal Trade Commission is studying whether CNBC's stated plans to merge the CNBC and FNN services into a single network are legal. It expects to complete an investigation by April 19.

Dow Jones-Westinghouse executives were not ready to capitulate, saying they feel there are antitrust problems with the sale to CNBC. "It's far from over," said Peter Skinner, Dow Jones senior vice president. "We are still intent on acquiring FNN."

The judge was clearly eager to end the suspense over the fate of the business news network, whose parent, Financial News Network Inc., filed for bankruptcy court protection on March 1 listing total liabilities that were nearly double its listed assets.

He noted the irony of the financial problems facing a media company that is supposed to report knowledgeably on financial news and said the uncertainty about its future makes it a "wasting asset."

(Indicate page, name of newspaper, city and state.)

Page 1

Date: 4/14/91

Edition: The Daily News AM
Los Angeles, CA

Title: FNN SALE APPROVED
BY JUDGE

Character: 29B-LA-115702

or
Classification:

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-35

SEARCHED
SERIALIZED
INDEXED
FILED

FBI - LOS ANGELES

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 4/9/91

From : SA [REDACTED]

b6
b7C

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

On 4/4/91, SA [REDACTED] met with SA [REDACTED]
[REDACTED] and AUSA [REDACTED]
regarding the above captioned matter.

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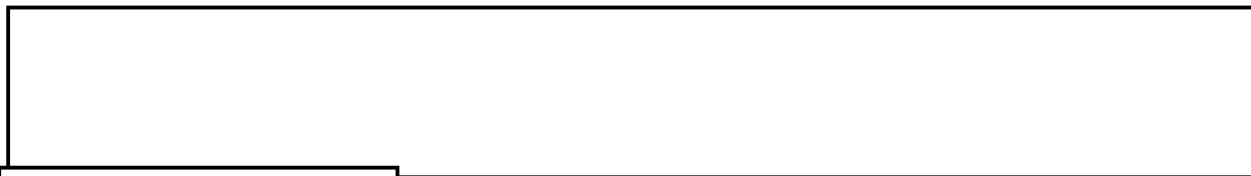
AUSA [REDACTED]



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AUSA [REDACTED] then telephonically contacted [REDACTED]
[REDACTED] Attorney, SEC. [REDACTED] provided the following
information:

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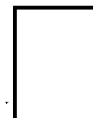
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29B-LA-115702-316



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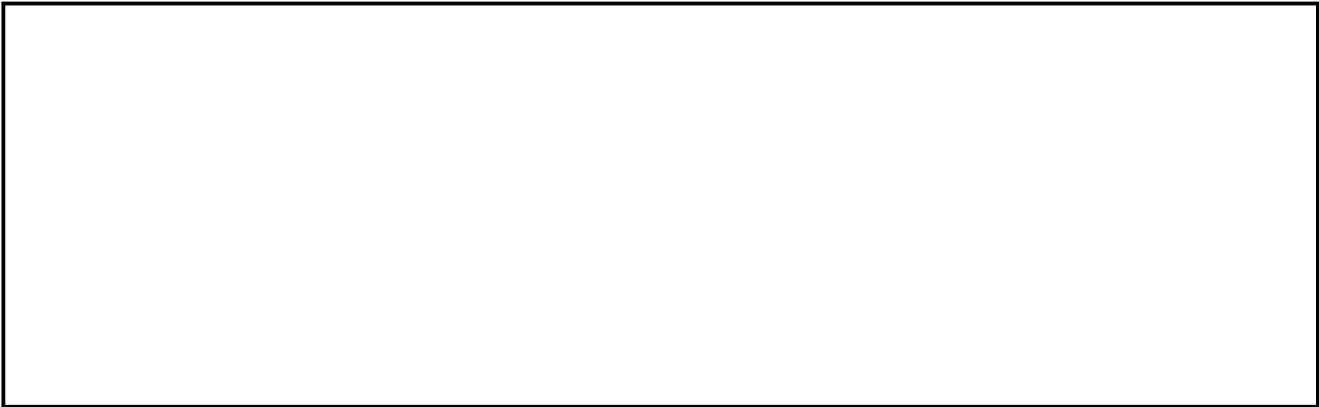


29B-LA-115702



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The following investigative plan was then discussed:



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LOS ANGELES TIMES

Losing Partners Appeal Ruling on FNN Sale

■ **Court:** Dow Jones & Co. and Group W Satellite Communications are fighting a judgment that disqualified their bid for the cable channel.

From Dow Jones News Service

NEW YORK—Dow Jones & Co. and Group W Satellite Communications filed an appeal of last week's disqualification by a U.S. Bankruptcy Court judge of their \$115-million joint bid to acquire Financial News Network Inc.

The appeal was expected.

Separately, the Federal Trade Commission filed an appeal of a U.S. Bankruptcy Court judge's ruling that any litigation, including a possible antitrust suit involving the pending FNN acquisition, must go through the bankruptcy court.

On April 3, NBC's Consumer News & Business Channel emerged as the apparent winner in the battle to acquire FNN, a 24-hour all-business cable channel and CNBC's only competition. U.S. Bankruptcy Court Judge Francis G. Conrad disqualified the Dow Jones-Group W partnership bid of \$115 million after the companies refused to keep their bid open until May 31, the deadline for CNBC's \$105-million bid.

CNBC raised its bid by \$10 million after an attorney for FNN's unsecured creditors protested to Judge Conrad that an auction for FNN, which filed for bankruptcy-law protection March 3, should be held.

The 20-page appeal by the Dow Jones-Group W partnership's attorney, antitrust specialist David Boies, asked the U.S. District Court for a decision of its "emergency motion." A hearing is expected on or before April 16. Group W Satellite Communications is a unit of Westinghouse Electric Corp.

The FTC is conducting an anti-trust investigation into the acquisition of FNN by CNBC, a unit of General Electric Co.'s National Broadcasting Co. subsidiary. Ron Rowe, director of litigation for the FTC's Bureau of Competition, said the commission wouldn't comment beyond the appeal. FNN has agreed not to complete the deal until April 19, the previously announced completion date of the FTC investigation.

In the FTC motion, the agency noted Judge Conrad's comments that the FTC could appeal his ruling "if you don't like it." The motion said that Conrad's ruling on jurisdiction will "unless reversed, severely restrict the ability of the FTC to carry out its congressional mandate to enforce the federal antitrust laws in both this case and future cases."

A spokesman for NBC declined comment. A spokeswoman for FNN decline comment.

A Dow Jones spokesman said the company doesn't comment on its own appeals.

(Indicate page, name of newspaper, city and state.)

The Los Angeles Times
Los Angeles, CA

Date: 4/10/91

Edition: AM

Title: LOSING PARTNERS
APPEAL RULING ON
FNN SALE

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

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99B-LA-115702-37

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FNN-CNBC Antitrust Probe Ends: The Federal Trade Commission closed an antitrust investigation of the proposed acquisition of Financial News Network by its main rival without filing any objections to such a deal. But the outcome of the fight for control of FNN remained in doubt. A bankruptcy judge had accepted a \$115-million offer for FNN from NBC's rival Consumer News and Business Channel, and disqualified a competing bid from a partnership of Dow Jones & Co. Inc. and Westinghouse Broadcasting Co. On Wednesday, a federal court overturned that ruling and ordered the bankruptcy court to consider both bids.

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 4/19/81

Edition:

AM

Pg D-2

Title:

FNN-CNBC Antitrust Probe
Ends

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-39

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(Mount Clipping in Space Below)

NBC Appeals FNN Decision: NBC's Consumer News and Business Channel appealed a ruling that may threaten its effort to acquire Financial News Network. A federal judge overturned a bankruptcy judge's disqualification of a rival bid for the network. CNBC filed an appeal of the latest ruling in the U.S. 2nd Circuit Court of Appeals. NBC has been in a bidding war and legal skirmish with a partnership formed by Dow Jones & Co. and Westinghouse Broadcasting Co. to acquire the financially troubled cable TV business news channel.

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 4/22/91

Edition:

AM

pg D2

Title: NBC Appeals FNN
Decision

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

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29B-LA-115702-40

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(Mount Clipping in Space Below)

Court dismisses NBC appeal on FNN bid: A federal appeals court in New York Tuesday dismissed the National Broadcasting Co.'s appeal of a lower court's ruling in its bid for the business news cable television channel Financial News Network. The ruling appears to set the stage for an auction in federal bankruptcy court to see whether NBC or a rival bidder will acquire FNN. NBC's Consumer News and Business Channel had scored an apparent victory April 3 when a U.S. Bankruptcy Court accepted its \$115 million bid for FNN and disqualified a competing \$115 million bid from a partnership led by Dow Jones & Co. But the Dow Jones group appealed the bankruptcy court decision to the district court, which ruled that the bankruptcy court was wrong and ordered it to conduct another hearing.

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 5/11/91

Edition:

AM

Pg 1

Title:

COURT DISMISSES NBC
APPEAL ON FNN BID

Character:

or

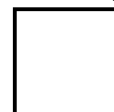
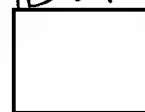
Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-44



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(Mount Clipping in Space Below)

CNBC Appeal of FNN Ruling Dismissed: A federal appeals court panel dismissed the National Broadcasting Co.'s appeal of an unfavorable ruling in its bid for the business news cable television channel Financial News Network. The decision by the three-judge panel of the U.S. 2nd Circuit Court of Appeals appears to set the stage for an auction in federal bankruptcy court to see whether NBC or a rival bidder will acquire FNN. FNN's parent, Financial News Network Inc., sought protection from creditors under Chapter 11 of the U.S. Bankruptcy Act on March 1.

(Indicate page, name of newspaper, city and state.)

The Daily News
Los Angeles, CA

Date: 5/11/91

Edition:

AM Page 2

Title:

CNBC APPEAL OF FNN
RULING DISMISSED

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

①
29B-LA-115702-45

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 5/6/91

From : SA [redacted]

b6
b7C

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

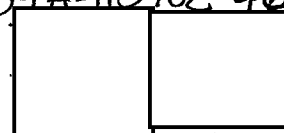
SA [redacted] has been instructed by SSA [redacted] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date.

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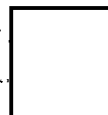
- 2 - 29B-LA-115702
- 1 - 29E-15525
- 1 - 29B-16160
- 1 - 29B-16179
- 1 - 29E-16235
- 1 - 29C-LA-108008
- 1 - 29E-15368
- 1 - 29H-16276



29B-LA-115702-46



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Memorandum

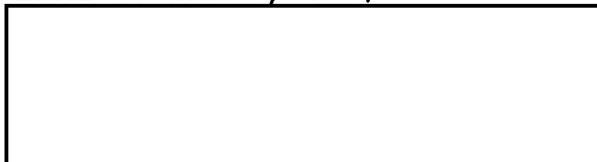


To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 5/6/91

From : SA [REDACTED]

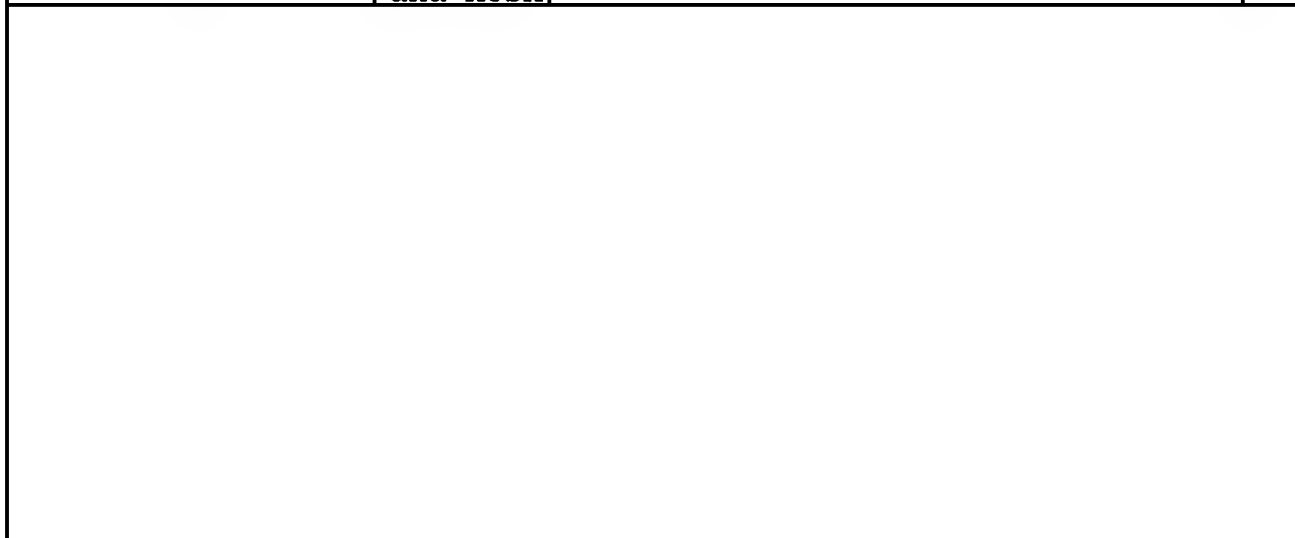
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b7C

Subject: EARL W. BRIAN, CEO;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

On 4/25/91, SA [REDACTED] and SA [REDACTED]
FBI, met with SA [REDACTED] AUSA
[REDACTED] and AUSA [REDACTED]

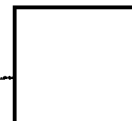
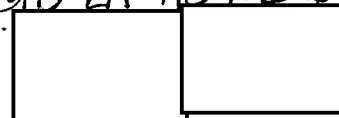


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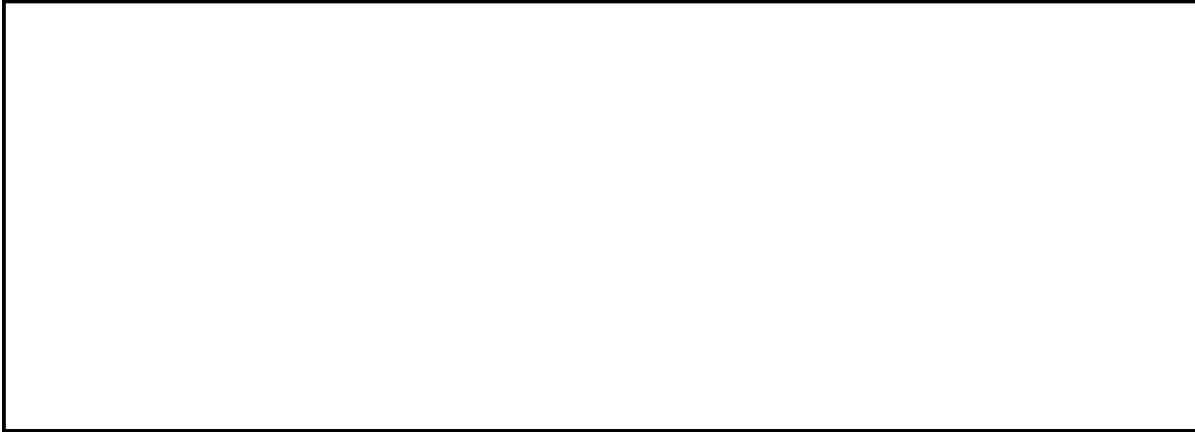


29B-LA 115702-47

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29B-LA-115702



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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (P) Date 5/7/91

From : SSA [REDACTED] (WCC-3)

b6
b7C

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC.- CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

Investigation to date has determined that FINANCIAL NEWS NETWORK (FNN) submitted false financial statements to support the approval and funding of more than \$70 million in lines of credit to SECURITY PACIFIC NATIONAL BANK and TORONTO DOMINION BANK.

After review of the voluminous documentation recently received from INFOTECHNOLOGY, FINANCIAL NEWS NETWORK and the SEC, it was determined that case agent, SA [REDACTED] will require assistance in bringing this matter to a logical conclusion. In that regard, SA [REDACTED] is being assigned to assist SA [REDACTED]

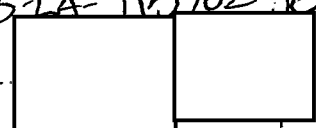
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1-ASAC [REDACTED]
① 29B-LA-115702

(2)

MAKE
SA [REDACTED]
CO-CASE W

29B-LA-115702-48



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(Mount Clipping in Space Below)

GE Unit Wins FNN With a Bid of \$145 Million

■ **Broadcasting:** But another bidder in the heated auction, a partnership of Dow Jones and Group W, will try to reverse the bankruptcy court award.

By VICTOR F. ZONANA
TIMES STAFF WRITER

NEW YORK—After sweetening its bid one last time, General Electric Co.'s CNBC unit Thursday won the heated auction to acquire Financial News Network, but a rival group vowed to press its attempt to buy the ailing cable business channel.

Consumer News and Business Channel's winning bid, selected by U.S. Bankruptcy

■ WAVE OF MERGERS

Why several rival cable TV channels have been forced to merge. A1

Judge Francis G. Conrad, was \$145 million in cash. In addition, CNBC agreed to assume \$9.3 million worth of FNN liabilities and to make a contingent payment if CNBC and FNN's combined revenue exceeds \$227 million over the next three years.

CNBC President Albert F. Barber said CNBC and FNN will be combined as soon as the deal closes. "We will have the best of the two services," he said. "The concept of shutting down FNN is not appropriate."

But the losing bidder, a partnership of Dow Jones & Co. and Westinghouse Electric's Group W Broadcasting Co., continued

Please see FNN, D13

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 5/10/91

Edition:

AM

Page 1 Business Section

Title:

GE UNIT WINS FNN WITH A
BID OF \$145 MILLION

Character:

or

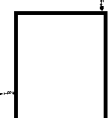
Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-50



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FNN: Several Lawsuits Filed in the Case

Continued from D1

to insist that CNBC's takeover of FNN would give the combined entity an illegal monopoly in the market for continuous cable business news.

Earlier this week, Dow Jones/Group W and several state attorneys general filed separate antitrust suits attempting to block CNBC's takeover of FNN. A hearing in one of the suits is scheduled for this morning.

Last month, a deadlocked U.S. Federal Trade Commission refused to block CNBC's takeover of FNN. Commission members voted 2 to 2, with one abstaining.

"The question the courts will have to grapple with is: How do you define the market?" asked Lewis A. Kornhauser, professor of law at New York University. "Does the market consist of only these two channels, or can it be more broadly defined to include Cable News Network, on-line computer services, radio, broadcast television and even newspapers and magazines?"

"The courts will have to examine the type of information [the networks] provide and what the al-

The Dow Jones/Group W consortium plans to challenge the judge's decision to reopen the bidding during conference telephone calls Wednesday evening and Thursday morning.

ternate sources of information might be," Kornhauser said.

In addition to the antitrust challenge, Dow Jones and Group W plan to appeal the ruling in favor of CNBC on procedural grounds. In particular, they plan to challenge the judge's decision to reopen the bidding during conference telephone calls Wednesday evening and Thursday morning.

"It was our position that the bidding was closed and over," said Dow Jones Senior Vice President Peter G. Skinner. "We were offered the opportunity to change our bid, and we declined."

The Dow Jones group's bid was \$125 million in cash and, like CNBC's offer, \$9.3 million in assumed liabilities. The Dow bid also included a complicated provision for a contingent payment based on future revenues.

Initially, the Dow group guaranteed only \$10 million of this contingent payment—but later offered to guarantee another \$17 million.

CNBC, countering the Dow group's bid Thursday morning, raised its \$140-million cash bid to \$145 million and for the first time adopted the Dow group's revenue-sharing scheme. The contingent payment will consist of half the combined FNN/CNBC revenue above \$227 million, if any, between 1992 and 1994.

"The CNBC bid accepted by the court is clearly superior to the last Dow Jones/Group W bid," said Allan R. Tessler and Alan J. Hirschfield, co-chief executives of FNN. "We are grateful that the estate has gained substantially more than the amounts contained in the original bids."

The Dow group initially bid \$90 million in February but was topped by CNBC's \$105 million a month later.

One attorney estimated that CNBC's bid would result in creditors receiving more than 85 or 90

CNBC Gets FNN

NBC's Consumer News and Business Channel won the bidding for certain assets of Financial News Network Inc.

FNN
Financial News Network Inc.

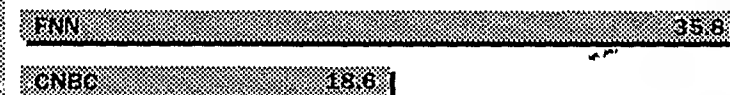
Financial News Network Inc. holdings:

- **Financial News Network**, business news cable network.
- **FNN: Sports**, sports information service on the FNN cable network.
- **FNN Business Radio**, business news feed for radio stations.
- **This Morning's Business**, syndicated TV show.

Additional holdings, not involved in the CNBC deal:

- **51% stake in the Learning Channel**, jointly owned with Infotechnology Inc. FNN and Infotechnology have agreed to sell their stake to The Discovery Channel.
- **FNN-Data Broadcasting**, stock quotes and market information service via personal computer.
- **49% stake in Shark Information Services Corp.**, stock quotes and market information for professional investors.

Number of households reached, in millions:



Source: Company reports

AP/Los Angeles Times

FNN Chronology

Here are some key events in the recent history of Financial News Network Inc., which is selling all its assets under supervision of the U.S. Bankruptcy Court.

- **Oct. 13, 1990:** FNN fires chief financial officer and ends association with its accounting firm by mutual agreement.
- **Oct. 24:** Alan J. Hirschfield and Allan R. Tessler are named co-chief executives, replacing Earl Brian. The company says it is the subject of Securities and Exchange Commission investigation.
- **Nov. 7:** Hirschfield and Tessler recommend selling FNN assets.
- **Nov. 29:** FNN says new auditors have reviewed its books for the fiscal year ended June 30 and determined the company lost \$72.5 million for the year.
- **Feb. 12, 1991:** FNN announces agreement in principle to sell its business news cable-TV channel to a partnership of Dow Jones & Co. and Westinghouse Broadcasting Co. for about \$90 million.
- **Feb. 14:** FNN agrees to sell interest in the Learning Channel to the owners of another cable network, the Discovery Channel, for \$31 million.
- **Feb. 26:** FNN announces definitive agreement to sell business cable channel to NBC's Consumer News and Business Channel, its main cable-TV rival, for \$105 million.
- **March 1:** FNN files for Chapter 11 bankruptcy protection, listing liabilities of \$145.4 million and assets of \$75.5 million.
- **March 20:** The Dow-Westinghouse partnership offers \$115 million for FNN.
- **April 3:** The bankruptcy court disqualifies the Dow-Westinghouse bid because the partners failed to hold the offer open until May 31 as CNBC had. The court accepts the CNBC offer, which is then sweetened to \$115 million.
- **April 9:** Dow-Westinghouse group appeals the bankruptcy court decision.
- **April 17:** A federal judge overturns the bankruptcy court's acceptance of the CNBC offer and instructs the court to review both bids.
- **April 30:** A federal appeals panel dismisses CNBC's appeal of the federal court ruling that sent the FNN case back to bankruptcy court.
- **May 7:** The bankruptcy court conducts an auction. The Dow-Westinghouse partnership offers \$167.1 million, including \$125 million in cash and another \$32.8 million over three years if certain revenue projections are met. CNBC offers \$149.3 million, including \$140 million in cash.
- **May 9:** The judge selects the CNBC bid, raised to \$145 million. The Dow-Westinghouse group vows to appeal.

cents on the dollar, with perhaps some money going to FNN shareholders.

Both bidders have much at stake. For Dow Jones, whose flagship Wall Street Journal has been losing circulation and advertising since the stock market crash of 1987, the acquisition of FNN would provide an entree to the potentially lucrative cable TV market.

GE's acquisition of FNN would help it salvage its investment in CNBC, which has lagged far behind FNN since CNBC began operating two years ago.

(Mount Clipping in Space Below)

**NBC channel set
for FNN purchase**

NEW YORK (AP) — NBC's Consumer News and Business Channel is poised to buy its main cable television rival, Financial News Network, after a competing bidder and two states dropped their efforts to break up the deal.

NBC officials said Friday that they expect to complete the deal and merge the two business news channels as early as next week.

The partnership of Dow Jones & Co. and Westinghouse Broadcasting Co. called off its three-month pursuit of the business news channel on Friday, saying more legal delays would only hurt the service and those relying on it.

(Indicate page, name of newspaper, city and state.)

News Chronicle B-6
Thousand Oaks, CA

Date: 5/20/91

Edition:

AM

Title: NBC CHANNEL SET
FOR FNN PURCHASE

Character:

or

Classification: 29B-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-51

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 5/17/91

From : SA

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Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

This investigation was predicated by Los Angeles Times newspaper article indicating that TELEVISION NETWORK, FINANCIAL NEWS NETWORK (FNN) was experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to both SECURITY PACIFIC NATIONAL BANK and TORONTO DOMINION BANK.

Investigation to date has determined that the FNN financial statement submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets, and lease commitments.



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*Recommend
Approval*



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SERIALIZED
MAY 29 1991
FBI - LOS ANGELES

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29B-LA-115702

AUSA [redacted] and AUSA [redacted] have
requested that SA [redacted] and SA [redacted]

[redacted]

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Arrangements have been made by SAs [redacted] to
travel to New York on 6/9/91 and return to Los Angeles on
6/14/91.

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 5/17/91

From : SA [REDACTED]

Subject: EARL W. BRIAN, CEO;
[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

PURPOSE: The purpose of this memorandum [REDACTED]
[REDACTED]

BACKGROUND: This investigation was predicated by Los Angeles Times newspaper article indicating that TELEVISION NETWORK, FINANCIAL NEWS NETWORK (FNN) was experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to both SECURITY PACIFIC NATIONAL BANK and TORONTO DOMINION BANK.

Investigation to date has determined that the FNN financial statement submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets, and lease commitments.
[REDACTED]

③ - Los Angeles
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[REDACTED]
(3) [REDACTED]

29B-LA-115702-53

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| FBI - LOS ANGELES | |

29B-LA-115702

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AUSA OPINION: On 5/6/91, AUSA [Redacted] was
advised of the facts in this situation. [Redacted]

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[Redacted]

SAC AUTHORITY: On 5/6/91, ASAC [Redacted]

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[Redacted]

SAC AUTHORITY_____

DATE:_____

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☒ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☒ UNCLAS E F T O
☒ UNCLAS

Date 6/6/91

FM FBI LOS ANGELES (29B-LA-115702) (P)

TO FBI NEW YORK/IMMEDIATE/

BT

UNCLAS

CITE: //3410:WCC-3//

PASS: SSA [REDACTED]

SSA [REDACTED]

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SUBJECT: EARL W. BRIAN-CEO; [REDACTED]

[REDACTED] FINANCIAL NEWS NETWORK, INC., INFOTECHNOLOGY, INC. -

CUSTOMER, SECURITY PACIFIC NATIONAL BANK, LOS ANGELES,
 CALIFORNIA, FIF, OO: LOS ANGELES.

RE LOS ANGELES TELCALL TO SA [REDACTED] NEW YORK, JUNE 6,
 1991.

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FOR INFORMATION, THIS INVESTIGATION WAS PREDICATED BY LOS
 ANGELES TIMES ARTICLE INDICATING THAT TELEVISION NETWORK,
 FINANCIAL NEWS NETWORK (FNN) WAS EXPERIENCING SEVERE FINANCIAL

Approved: CGU [REDACTED]

Original filename: [REDACTED] 001W.157

Time Received: _____

Telprep filename: [REDACTED] 00150.157

MRI/JULIAN DATE: _____

ISN: _____

FOX DATE & TIME OF ACCEPTANCE: [REDACTED] 6/6/91 6:23pm

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^PAGE 2 (29B-LA-115702) UNCLAS

DIFFICULTIES, IN PARTICULAR, MEETING ITS DEBT OBLIGATIONS ON MORE THAN \$70 MILLION IN LINES OF CREDIT TO BOTH SECURITY PACIFIC NATIONAL BANK AND TORONTO DOMINION BANK.

INVESTIGATION TO DATE HAS DETERMINED THAT THE FNN FINANCIAL STATEMENTS SUBMITTED TO SUPPORT THE APPROVAL AND FUNDING OF THE BANK LINES OF CREDIT CONTAINED SUBSTANTIAL INFLATED AND FICTITIOUS FIGURES, IN PARTICULAR, ACCOUNTS RECEIVABLE, FIXED ASSETS, AND LEASE COMMITMENTS.

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[REDACTED]

ON MAY 6, 1991, AUSA [REDACTED] WAS ADVISED OF THE
FACTS IN THIS SITUATION. AUSA [REDACTED]

[REDACTED]

SAC, LOS ANGELES HAS [REDACTED]

[REDACTED]

[REDACTED] SAC, LOS ANGELES ALSO
GRANTED AUTHORITY FOR SPECIAL AGENTS [REDACTED]
[REDACTED] TO TRAVEL TO NEW YORK. PER REFERENCED
TELCALL, SAC, NEW YORK CONCURS.

LOS ANGELES REQUESTS A NEW YORK SPECIAL AGENT BE MADE
AVAILABLE TO ASSIST SA'S [REDACTED]

[REDACTED]

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[REDACTED]

IT IS ALSO REQUESTED THAT NEW YORK CONTACT AN APPROPRIATE
AUSA REGARDING OBTAINING CONCURRENCE FOR THE USE OF ELSUR IN
NEW YORK.

NEW YORK AT NEW YORK CITY: (1) CONTACT APPROPRIATE AUSA
TO OBTAIN CONCURRENCE FOR MONITORING AND [REDACTED]

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[REDACTED] IF FURTHER
INFORMATION IS NEEDED, AUSA [REDACTED] CAN BE CONTACTED AT [REDACTED]

[REDACTED]

(2) ASSIST LOS ANGELES CASE AGENTS [REDACTED] IF
NECESSARY, IN THE MONITORING OF THIS MEETING.

BT

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1496053-000

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June 23, 1995

TITLE AND CHARACTER OF CASE

BRIAN, EARL, W
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DATE PROPERTY ACQUIRED

June 20, 1995

SOURCE FROM WHICH PROPERTY ACQUIRED

LOCATION OF PROPERTY: ECR1

ANTICIPATED DISPOSITION

ACQUIRING AGENT
CASE AGENT
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GRAND JURY MATERIAL - NO (DISSEMINATE ONLY PURSUANT TO RULE 6(E))

DESCRIPTION OF PROPERTY

BARCODE: E0747384

1B18;W-2 STATEMENTS, RECEIPTS, FNN PROJECTIONS, AND PRESS
RELATIONS.

FOR VALUABLES AND/OR NARCOTICS EVIDENCE ONLY

TWO SPECIAL AGENTS VERIFYING AND SEALING BAG CONTENTS

FIELD FILE NUMBER: LA/LA-0115702 (029B)

OFFICE-OF-ORIGIN: LOS ANGELES

29B-LA 115702-1B18

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| SERIALIZED | FILED |
| JUN 23 1995 | |
| FBI - LOS ANGELES | |

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File

June 23, 1995

TITLE AND CHARACTER OF CASE

BRIAN, EARL, W

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LOCATION OF PROPERTY: ECR1

ANTICIPATED DISPOSITION

ACQUIRING AGENT
CASE AGENT

GRAND JURY MATERIAL - YES (DISSEMINATE ONLY PURSUANT TO RULE 6(E))

DESCRIPTION OF PROPERTY

BARCODE: E0747313
FOR VALUABLES AND/OR NARCOTICS EVIDENCE ONLY
TWO SPECIAL AGENTS VERIFYING AND SEALING BAG CONTENTSFIELD FILE NUMBER: LA/LA-0115702 (029B)
OFFICE-OF-ORIGIN: LOS ANGELES

01B-LA-115702-1B19

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| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| JUN 23 1995 | |
| FBI - LOS ANGELES | |

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File

June 29, 1995

TITLE AND CHARACTER OF CASE

BRIAN, EARL, W

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June 15, 1995 | SOURCE FROM WHICH PROPERTY ACQUIRED
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GRAND JURY MATERIAL - YES (DISSEMINATE ONLY PURSUANT TO RULE 6(E))

DESCRIPTION OF PROPERTY

BARCODE: E0747125

FOR VALUABLES AND/OR NARCOTICS EVIDENCE ONLY
TWO SPECIAL AGENTS VERIFYING AND SEALING BAG CONTENTS

FIELD FILE NUMBER: LA/LA-0115702 (029B)
OFFICE-OF-ORIGIN: LOS ANGELES

LAB-0115702-1B20

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| SERIALIZED <input type="checkbox"/> | FILED <input type="checkbox"/> |
| JUN 29 1995 | |
| FBI - LOS ANGELES | |

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File

June 29, 1995

TITLE AND CHARACTER OF CASE

BRIAN, EARL, W

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June 18, 1995 | SOURCE FROM WHICH PROPERTY ACQUIRED
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LOCATION OF PROPERTY: ECR1

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GRAND JURY MATERIAL - YES (DISSEMINATE ONLY PURSUANT TO RULE 6(E))

DESCRIPTION OF PROPERTY

BARCODE: E0747116

FOR VALUABLES AND/OR NARCOTICS EVIDENCE ONLY
TWO SPECIAL AGENTS VERIFYING AND SEALING BAG CONTENTS

FIELD FILE NUMBER: LA/LA-0115702 (029B)
OFFICE-OF-ORIGIN: LOS ANGELES

29B-LA115702-1C21

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| SEARCHED | NO |
| SERIALIZED | NO |
| JUN 29 1995 | |
| LOS ANGELES | |

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File

June 29, 1995

TITLE AND CHARACTER OF CASE

BRIAN, EARL, W

| | |
|---|---|
| DATE PROPERTY ACQUIRED
June 18, 1995 | SOURCE FROM WHICH PROPERTY ACQUIRED
<div data-bbox="518 644 854 697" style="border: 1px solid black; width: 207px; height: 25px;"></div> |
|---|---|

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LOCATION OF PROPERTY: ECR1

| | | |
|-------------------------|---|--|
| ANTICIPATED DISPOSITION | ACQUIRING AGENT
<div data-bbox="553 836 898 887" style="border: 1px solid black; width: 212px; height: 24px;"></div> | CASE AGENT
<div data-bbox="1089 836 1429 880" style="border: 1px solid black; width: 209px; height: 21px;"></div> |
|-------------------------|---|--|

GRAND JURY MATERIAL - YES (DISSEMINATE ONLY PURSUANT TO RULE 6(E))

DESCRIPTION OF PROPERTY

BARCODE: E0747111

FOR VALUABLES AND/OR NARCOTICS EVIDENCE ONLY
TWO SPECIAL AGENTS VERIFYING AND SEALING BAG CONTENTS

FIELD FILE NUMBER: LA/LA-0115702 (029B)
OFFICE-OF-ORIGIN: LOS ANGELES

29B-LA115702-1822

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| SEARCHED
SERIALIZED | INDEXED
FILED |
| JUN 29 1995 | |
| FBI - LOS ANGELES | |

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File

August 11, 1995

TITLE AND CHARACTER OF CASE

BRIAN, EARL W
[REDACTED]DATE PROPERTY ACQUIRED August 01, 1995
SOURCE FROM WHICH PROPERTY ACQUIRED [REDACTED]b3
b6
b7C

LOCATION OF PROPERTY: ECR1

ANTICIPATED DISPOSITION ACQUIRING AGENT CASE AGENT
[REDACTED] [REDACTED]

GRAND JURY MATERIAL - YES (DISSEMINATE ONLY PURSUANT TO RULE 6(E))

DESCRIPTION OF PROPERTY

BARCODE: F0933237
[REDACTED]FOR VALUABLES AND/OR NARCOTICS EVIDENCE ONLY
TWO SPECIAL AGENTS VERIFYING AND SEALING BAG CONTENTSFIELD FILE NUMBER: LA/LA-0115702 (029B)
OFFICE-OF-ORIGIN: LOS ANGELES

29B-LA115702-1B 24

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| SERIALIZED | FILED |
| AUG 11 1995 | |
| FBI - LOS ANGELES | |

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File

August 11, 1995

TITLE AND CHARACTER OF CASE

BRIAN, EARL, W

| | |
|---|--|
| DATE PROPERTY ACQUIRED
July 28, 1995 | SOURCE FROM WHICH PROPERTY ACQUIRED
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LOCATION OF PROPERTY: ECR1

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| ANTICIPATED DISPOSITION | ACQUIRING AGENT
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<div data-bbox="1105 836 1453 880" style="border: 1px solid black; width: 150px; height: 20px; display: inline-block;"></div> |
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GRAND JURY MATERIAL - NO (DISSEMINATE ONLY PURSUANT TO RULE 6(E))

DESCRIPTION OF PROPERTY

BARCODE: E0933239
1B25; ONE ENVELOPE CONTAINING HANDWRITTEN NOTES OF RE:
MEETINGS WITH AND DR. BRIAN.

FOR VALUABLES AND/OR NARCOTICS EVIDENCE ONLY
TWO SPECIAL AGENTS VERIFYING AND SEALING BAG CONTENTS

FIELD FILE NUMBER: LA/LA-0115702 (029B)
OFFICE-OF-ORIGIN: LOS ANGELES

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|---|---|
| 91B LA115702-1B | |
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| AUG 11 1995 | |
| FBI - LOS ANGELES | |

File

11/24/95
13:11:43

FD-192

ICMIPR01
Page 1

Title and Character of Case:

BRIAN, EARL, W

Date Property Acquired: Source from which Property Acquired:

10/06/1995

Anticipated Disposition: Acquired By:

Case Agent:

Grand Jury Material - ~~YES~~ (Disseminate only pursuant to Rule 6(e))

Description of Property:

Date Entered

1B 26

Barcode: E0981246

Location: ECR1

11/24/1995

b3
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For valuables and/or narcotics evidence only

Name of Sealing Official:

Name of Witnessing Official:

Case Number: 29B-LA-115702

Office of Origin: LOS ANGELES

29B-LA-115702-1B26

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SERIAL | INDEX
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| NOV 24 1995 | |
| FBI - LOS ANGELES | |

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17:11:26

FD-192

ICMIPR01
Page 1

Title and Character of Case:

BRIAN, EARL, W

Date Property Acquired: Source from which Property Acquired:

11/03/1995

Anticipated Disposition: Acquired By: Case Agent:

Grand Jury Material - YES (Disseminate only pursuant to Rule 6(e))

Description of Property:

1B 27

Date Entered

Barcode: E0981299

Location: ECRI

11/27/1995

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For valuables and/or narcotics evidence only

Name of Sealing Official:

Name of Witnessing Official:

Case Number: 29B-LA-115702

Office of Origin: LOS ANGELES

29B-LA-115702-1B27

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| SEARCHED | INDEXED |
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| NOV 27 1995 | |
| FBI - LOS ANGELES | |

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FD-192

ICMIPR01
Page 1

Title and Character of Case:

BRIAN, EARL, W.
[REDACTED]

Date Property Acquired: Source from which Property Acquired:

11/20/1995
[REDACTED]

Anticipated Disposition: Acquired By:
RETURN [REDACTED]

Case Agent:
[REDACTED]

Grand Jury Material - YES (Disseminate only pursuant to Rule 6(e))

Description of Property:

1B 28
[REDACTED]

Date Entered

Barcode: E0981522

Location: ECR1

12/07/1995

b3
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For valuables and/or narcotics evidence only

Name of Sealing Official:

Name of Witnessing Official:

Case Number: 29B-LA-115702

Office of Origin: LOS ANGELES

29B-LA-115702-1B28

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SERIALIZED | [REDACTED] | INDEXED
FILED | [REDACTED] |
| DEC 7 1995 | | | |
| FBI - LOS ANGELES | | | |

[REDACTED]

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File copy

Date

10/1/91

Title and Character of Case

Earl W. Brian - CFO:

FILE NO. 29B-LA-115702-1C1

OO: Los Angeles

Financial News Network, Inc.
Infotechnology, Inc. - Customer
Security Pacific National Bank

Date Acquired

Acquired From:

9/28/91

b3

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To Be Returned

☒ Yes ☐ No

See Serial

Acquiring Agent

Case Agent

SA

SA

☒ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure

☐ Yes ☒ No

Property To Be Forfeited To The U.S. Government

Description of Property (Be Specific)

Out to Agent

For Administrative Use:

Location of Property:

Control Number: E0146748

(File Copy)

29B-LA-115702-1C1

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29B-LA-115702-2

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SERIALIZED



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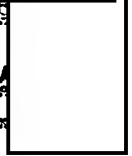


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MAY 22 1999



TAWA



29B-LA-115702-3

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| SERIALIZED | | FILED | |

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MAY 22 1991

STAWA

[REDACTED]
F.B.I.
UNITED STATES EMBASSY
100 WELLINGTON ST. WEST
OTTAWA, ONTARIO, CANADA.

[REDACTED]
1 FEBRUARY 1991

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~~PERSONAL AND CONFIDENTIAL~~

SUBJECT: F.B.I. INVESTIGATION OF A CERTAIN DR. EARL W. BRIAN, ET AL.

DEAR [REDACTED]

b6
b7C

THIS HAS REFERENCE TO A RECENT CONTACT MADE TO YOU BY A MUTUAL FRIEND,
[REDACTED]

WITH RESPECT TO THE SUBJECT I HAVE BEEN INFORMED THAT INITIALLY A U.S. ATTORNEY'S OFFICE IN LOS ANGELES AND THE SECURITIES EXCHANGE COMMISSION WERE LOOKING INTO THE ACTIVITIES OF [REDACTED] AND THAT THE MATTER HAS BEEN TURNED OVER TO THE F.B.I.

I BELIEVE THE COMPLAINT WOULD ENTAIL [REDACTED] AND OTHERS - FINANCIAL NEWS NETWORK - INFOTECHNOLOGY.

A SAMPLE OR TWO OF ATTACHMENTS ARE HEREWITH APPENDED. THESE DOCUMENTS ARE VOLUNTEERED FOR YOUR EXAMINATION, AND SHOULD GIVE YOU AN OVERVIEW OF THE NATURE AND SCOPE OF MY PRIVATE INVESTIGATION INTO MANY OF THE PAST ACTIVITIES OF THE "GOOD DOCTOR." IT IS FELT THAT I MAY BE OF GREAT VALUE TO YOUR ORGANIZATION IN THIS MATTER. I AM AVAILABLE ON A 'NON EXISTANT' BASIS, CONSULTANT OR ?

WE HAVE INDEED A VERY MUTUAL INTEREST AND IT IS SINCERELY HOPED THAT SOME AVENUE OF A WORKING RELATIONSHIP BE MADE AVAILABLE, I WOULD TRULY LIKE TO BE PART OF A TEAM THAT FINALLY BRINGS THIS MAN TO CRIMINAL JUSTICE.

APPENDED IS MY CURRICULUM VITAE, FOR ADDED BACKGROUND.

SUGGESTING WE MEET AT YOUR EARLIEST CONVENIENCE, I REMAIN:

b6
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ATTACHMENTS:

- A) [REDACTED] PROFITABLE ... WITH [REDACTED]
B) DOC #1125
C) CURRICULUM VITAE

29B-LA-115702-4
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SERIALIZED

INDEXED
FILED

MAY 22 1991

ANA

Office of the Legal Attache
100 Wellington Street
Ottawa, Ontario K1P 5T1

May 28, 1991

b6
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Dear [REDACTED]

This acknowledges receipt of your letter dated February 1, 1991, with enclosures relating to EARL W. BRIAN. Please know that your correspondence has been sent to the Los Angeles office of the Federal Bureau of Investigation for review.

I will contact you should they have questions concerning your correspondence.

Sincerely,

[REDACTED]
Legal Attache

b6
b7C

1-Addressee
(1) Ottawa (29B-LA-115702)

[REDACTED]
(2)

29B-LA-115702-5
b6
b7C

Searched _____

Indexed _____

Serialized _____

Filed _____

[REDACTED]

Office of the Legal Attache
100 Wellington Street
Ottawa, Ontario K1P 5T1

October 9, 1991

[REDACTED]
Attention: [REDACTED]

Reference: EARL W. BRIAN

Legat File: 29B-LA-115702

b6
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Dear [REDACTED]

Enclosed is one copy of an unsolicited letter with enclosures which this office received from a [REDACTED] [REDACTED] on May 22, 1991. The letter is dated February 1, 1991.

This letter and its enclosures were forwarded to the Los Angeles, California office of the FBI for their review due to the fact that the FBI index system reflected that they had an investigative interest in Brian. As a result of their review, they (FBI Los Angeles) request that an interview of [REDACTED] be conducted regarding his knowledge about an associate of Brian named [REDACTED]. The FBI in Los Angeles also desires that [REDACTED] be interviewed regarding his knowledge of other Brian companies, specifically Hadron, Edanco, and Jenco.

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For your assistance in this interview, the Los Angeles office of the FBI provided the following comments and observations in a separate communication:

Brian has maintained business contacts with [REDACTED] since approximately 1982, and maintained social contacts with [REDACTED] since approximately 1978. [REDACTED]

[REDACTED] addressee
[REDACTED] Ottawa (29B-LA-115702)

(2)

29B-LA-115702-10 b6
b7C

Searched _____

Indexed _____

Serialized _____

Filed _____

[redacted] was responsible in part for the reorganization of Biotech Capital, formerly Infotechnology, and was an accountant for another Brian company called Intex.

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FBI, Los Angeles has interviewed [redacted] has denied any wrongdoing in relation to Brian and any Brian entity. Others have testified that [redacted] was responsible for setting up off-shore bank accounts on behalf of Brian and his entities. Approximately \$8 million was deposited to these accounts through Brian's company, Financial News Network (FNN) disguised as lease payments on FNN's books. It is believed that Brian was attempting to close these accounts and personally collect the \$8 million.

In addition, investigation by FBI, Los Angeles has discovered other Brian companies that [redacted] and Brian were involved in specifically, Hadron, Edanco, and Jenco. [redacted] briefly mentions Hadron in the documentation provided by Legat Ottawa. Any additional information regarding these entities that [redacted] could provide to FBI, Los Angeles would be useful.

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[redacted] is described as follows:

Name
Race
Sex
Date of birth
Place of birth
Height
Weight
Hair
Eyes

| |
|--|
| |
|--|

b6
b7C
b7D

Sincerely yours,

[redacted]
Legal Attache

Enclosure

Office of the Legal Attache
100 Wellington Street
Ottawa, Ontario K1P 5T1

March 18, 1992

[Redacted]
Attention: [Redacted]

Reference: EARL W. BRIAN

Legat File: 29B-LA-115702

b6
b7C
b7D

Dear [Redacted]

Reference is made to our letter dated October 9, 1991.

Please advise us of the status of your investigation in captioned matter.

Sincerely yours,

[Redacted]
Legal Attache

1-Addressee

1-Ottawa (29B-LA-115702)

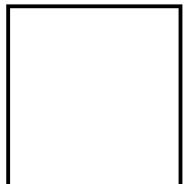
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[Redacted]

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INDEXED
FILED

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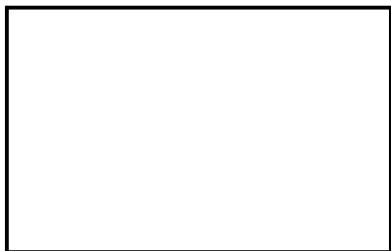
[Redacted]

[Redacted]

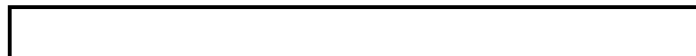
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| MAR 25 1992 | | | |
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LEGAL ATTACHE
EMBASSY OF THE UNITED STATES,
100 WELLINGTON ST.
OTTAWA,
ONTARIO.

KIP-5T1

[redacted]
Messrs. Tory, Tory,
DesLauriers and Binnington
P.O. BOX 270,
I.B.M. Tower
Suite 300
Toronto Dominion Center
TORONTO, Ontario. M5K-1N2

[redacted]
June 6, 1992

WITHOUT PREJUDICE

b6
b7C

SUBJECTS: [redacted] et al V. NESBITT et al- Court File 14469/86
[redacted] et al - Court File [Ottawa] 6963/87
[redacted] DECISION of March 12, 1992.
*AFFIDAVIT OF [redacted] [190 pp] Sworn and Dated 25 May 1992.
*Written communication to Master [redacted] dated 25 May 1992 from the
undersigned. (copy attached).

Dear [redacted]

Further to my UNANSWERED letters to you of September 24 and October 3, 1991 and other ongoing events. Please be advised that I have filed with Master [redacted] and the Court the above AFFIDAVIT with covering letter. It is suggested that you and all other copied persons obtain a copy at their expense. In light of its contents be further advised that the terms and conditions as outlined in my October 3, communication remain EXCEPT for PARTS 'A' and 'C'.

A) CIVIL ACTION No. 6963/87 [redacted] V. NESBITT et al. \$2,200,000.

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Revised to and including JUNE 30, 1992.

1) \$2,200,000. @ 12% per annum \$ 4,242,311.

2) Direct out-of-pocket costs December 3, 1981 to December 31, 1991 - \$650,345 or \$65,035 per annum, plus \$54,409 from January 1 through June 30, 1992: @ 12% \$ 1,412,385.
This figure does not take into consideration any compensation for loss of opportunity, loss of assets, R.R.S.P. liquidation, employment opportunities, mental anguish, distress and family breakdown, etc.

3) Per diem fee covering substantial time in investigating the entire circumstance, including the activities of the other Defendants in order to mitigate the losses of the Plaintiff's, for the most part his customers. at \$400. per diem, December 3, 1981 to June 30, 1991. \$ 3,156,967.
Plus GST for 1991 - 365 Days, 1992 - 182 days (547 Days) 15,316.

TOTAL DAMAGES DUE AND PAYABLE - JUNE 30, 1992 \$ 8,826,979.

C) For the present I'll leave it to [redacted] to make adjusted claims that were outlined in October 1991 by the writer.

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Let me make matters very clear, [redacted] your clients embarked on a path twelve years ago, when they recommended Dr. Earl W. Brian's services, at the very minimum without proper research, and took the risk of being caught in 'dishonest and fraudulent conduct and breach of fiduciary duty.'

29B-LA-115702-23

JUN 10 1992

AT HQ, LA
6/12/92
[redacted]

(2)

Furthermore, in advance of ANY LITIGATION your client NESBITT THOMSON KNEW that the companies promoted by Messrs. NESBITT, [REDACTED] and Dr. EARL W. BRIAN were recommended to the Retail Sales Network and in turn their clients based on unverified FALSE information. Then once litigation commenced you, for reasons best known to yourselves, elected to join forces with and back the wrong horses once again. The business strategy of NESBITT THOMSON in the issues at hand from March 1980 to the litigation era starting September 1986, says one thing VERY CLEARLY that there was an ongoing arrogant belief that you collectively thought you could defend against being above civil recourse and criminal law. Your failure to respond to reasonable discussion, even in discovery, provide documents, answer questions and act upon obvious evidence of civil wrongdoing should send a very clear message to the PLAINTIFFS, THE COURT and in this case [REDACTED]

b6
b7C

I have tried, sir, every avenue to address all issues in a quiet and professional manner under the most trying circumstances. For the record, your failure to respond in kind to my October 3, 1991 letter caused me to enter the murky world of 'spooks' and covert political operations. There had to be larger answers as to why issues were stalled and stonewalled as they were on your part. But, if you believe, [REDACTED] for one 'New York Second' that this is going to end in the further carnage of the victims (plaintiffs) you have clearly erred in judgement and now must bear the consequences.

CC
CC
CC

PS: Dear [REDACTED] I am in receipt of your communication dated June 5, 1992 to Master [REDACTED] as an obvious response to his letter of May 29, 1992. May I inform you that my AFFIDAVIT covers all aspects of the 'original motion.' and the reasons for not attending nor filing materials. You make the wrong assumption of consequent matters involving Messrs. [REDACTED] In fact [REDACTED] I covered the latter in my UNANSWERED September 14, 1991 letter to you. Let me further suggest that EVERYTHING in my Affidavit and letter to [REDACTED] speaks to issues that NEED TO BE ADDRESSED ON THE PLAINTIFF'S MOTION TO DISCONTINUE AND NOTHING IS OUT OF TIME OR IRRELEVANT AND IT SHOULD RECEIVE EVERY CONSIDERATION. Because of the nature, tone and content of your June 5th letter it is now my view that all issues be expanded to interested parties.

b6
b7C

CC
CC
CC
CC
CC

Messrs. [REDACTED]
F.B.I. [REDACTED]

- INSLAW

THE LAW SOCIETY OF UPPER CANADA

Et al.

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(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.) Page 1
Business Section LA TIMES
Los Angeles, CA

Date: 10/25/90

Edition: AM Edition
Los Angeles TimesTitle: FNN Cannot Meet
Expenses and Ousts Chief

Character: Executive

or

Classification: 29

Submitting Office: Los Angeles

Indexing:

29B-LA-115702

FNN Cannot Meet Expenses and Ousts Chief Executive

By JOHN LIPPMAN
TIMES STAFF WRITER

Financial News Network Inc., disclosing for the first time that the financial crisis surrounding the 24-hour business news channel is much deeper than originally thought, said it cannot meet operating expenses and is seeking to renegotiate its bank loans and leasing agreements.

The boards of FNN and its 47% owner, Infotechnology Inc., said Chief Executive Earl W. Brian has been ousted and replaced by Alan J. Hirschfield and Allan R. Tessler, who have been named interim co-chief executives. The boards several weeks ago took over day-to-day operating control of the companies.

FNN and Infotech have been engulfed in financial turmoil since early in the month,

when they first disclosed that an auditing dispute could lead to a quarterly charge against earnings and place the companies in default on their bank loans. Since then, the directors have dismissed their auditors, fired FNN's chief financial officer and let go FNN's Los Angeles-based finance staff.

Infotech also revealed in a filing with the Securities and Exchange Commission that it is cooperating with a formal SEC investigation of the company that began Oct. 12. Infotech described the investigation as a "continuation of an informal SEC staff inquiry" but did not elaborate.

A formal investigation is authorized by SEC commissioners after the enforcement division staff makes a preliminary inquiry, and submits a report.

Wednesday's disclosure that the company
Please see FNN, D16

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29B-LA-115702-4

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| OCT 25 1990 | | |
| FBI - LOS ANGELES | | |

Continued from D1

ny is giving a public meeting operating expenses only further confused analysts, almost all of whom said FNN and Infotech are refusing to explain why the network has been hit by a cash flow shortage.

"They aren't providing any information, so it's hard to figure out what's going on," said Ken Goldman, an analyst with Hanifen Imhoff Inc., a Denver investment company.

Brian will continue as a director of both firms, although analysts said he has effectively been relieved of executive duties. According to the latest available proxy statements, Brian owns 9% of Infotech and less than 1% of FNN.

Both Hirschfield and Tessler have intimate experience with troubled companies.

Hirschfield, who earlier this year became a managing director at the New York investment bank of Wertheim Schroder & Co., was chief executive of Columbia Pictures during the David Begelman check-forging scandal in the late 1970s. Hirschfield was unavailable for comment.

Tessler has been an Infotech board member and from July to December, 1989, was chairman of Imperial Corp. of America, parent of Imperial Savings in San Diego, which was seized by federal regulators last February.

But one observer said Tessler deserves no direct blame for Imperial's failure, as the thrift was already in bad shape when he took over. A former partner in the New York law firm of Shea & Gould, he is sole stockholder of International Finance Group, an investment company.

According to sources, Hirschfield was brought in by Tessler after the board first approached turnaround artist Sanford C. Sigoloff, but he was not available. Senior managers were told Tuesday that Brian would be stepping down, although the decision had actually been made weeks ago as the depth of the financial problems became apparent to the boards.

The directors said that the interim chief executives will consider the "sale of some or all of the companies' businesses."

Bringing aboard Hirschfield and Tessler is a clear sign, according to one investor who owns about 3% of FNN's stock, "that they will clean it up and sell it."

Mark Reilly, a partner in the New York investment firm of MacDonald Grippio Reilly, agreed that a sale of FNN is possible. "This signifies the assets are really up for sale," he said. "But they've got to move quickly in restructuring and selling."

Despite the financial problems, analysts still rate highly FNN's

core business, a channel available to 35 million homes. Less certain is an array of ancillary businesses, such as sophisticated stock quote services and Infotech's 97% ownership of ailing United Press International. Infotech and FNN said they have received several bids for their combined 51% stake in the Learning Channel.

At least a handful of major media companies are looking at the possibility of buying FNN or Infotech outright. Those companies, which include Time Warner Inc., Capital Cities/ABC Inc. and Turner Broadcasting System Inc., would be able to buy either company for substantially less than would have been paid even six months ago since the values of media companies have sharply declined.

The directors also said they needed to renegotiate payment schedules for \$88 million in lease contracts. That figure surprised analysts, who noted that on top of the previously disclosed \$70 million in bank debt, FNN and Infotech now have at least \$158 million in liabilities.

Last November, FNN said it had established a \$50-million credit agreement with Security Pacific and Toronto Dominion Bank in New York. That credit line is now virtually exhausted. In addition, Infotech has used up \$20.7 million of its own \$25-million credit line with Security Pacific and Midlantic banks, which is secured by FNN stock.

"Each succeeding announcement has been more dismal than the last," said Lorraine Maxfield, an analyst with Paulson Investment Co. in Portland, Ore. "This appears to be the tip of the iceberg."

Since the original disclosure on Oct. 1, FNN's chief financial officer, C. Steven Bolen, has been fired, two other finance department employees were suspended and the company's 20-member finance and accounting staff in Los Angeles was dismissed.

The board said Bolen was fired for allegedly misappropriating company funds, and the finance staff was let go to move that department closer to executives in New York and Washington.

Analysts wonder what is next, given the already rapid succession of startling disclosures in recent weeks. But one company executive maintained that no further management shake-ups are imminent and that Hirschfield and Tessler will decide which assets will be sold in the coming weeks.

In over-the-counter trading Wednesday, FNN lost \$1.25 a share to close at \$3.125, while Infotech lost \$1.0625 to close at \$3.0625.

5 X 8

TO: SAC, LOS ANGELES (29B-LA-115702) (WCC-3) (P)

FROM: SSA [REDACTED]

b6
b7C

SUBJECT: EARL W. BRIAN;
[REDACTED]

FINANCIAL NEWS NETWORK, INC.;
INFOTECHNOLOGY, INC.;
SECURITY PACIFIC NATIONAL BANK,
333 S. HOPE STREET,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES
CASE AGENT: [REDACTED]

Recent Los Angeles Times articles have indicated that Television Network, FINANCIAL NEWS NETWORK (FNN) has been experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to both SECURITY PACIFIC NATIONAL BANK and TORONTO DOMINION BANK. EARL W. BRIAN, former Chief Executive Officer (CEO), [REDACTED]

[REDACTED] former Accounting Staff employees, have all been terminated from FNN as well as the firm's [REDACTED]

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Los Angeles has received information that the Los Angeles based FNN financial statements submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious accounts receivable. Initial information indicates [REDACTED] may have discovered same information plus additional fraud.

- 1 - SAC
- 1 - ASAC [REDACTED]
- 1 - ASAC
- 1 - ASAC
- 1 - ASAC
- 1 - MEDIA COORDINATOR
- 1 - NIGHT SUPV.
- ① - 29B-LA-115702

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29B-LA-115702-5

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|-------------------|------------|------------|
| SEARCHED | [REDACTED] | [REDACTED] |
| SERIALIZED | [REDACTED] | [REDACTED] |
| FBI - LOS ANGELES | | |
| [REDACTED] | [REDACTED] | [REDACTED] |

The Securities and Exchange Commission (SEC) has also initiated an investigation regarding possible securities violations. Los Angeles will be coordinating captioned investigation with SEC and AUSA [redacted] Major Frauds Unit, United States Attorney's Office.

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To date, subpoenas have been issued by the United States Attorney's Office for the victim banks, [redacted] [redacted] and FNN. Based on the information received from these subpoenas and interviews of some key cooperating witnesses, it is anticipated that a search for FNN records may have to be made in Virginia.

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☒ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 11/2/90

13

1 FM FBI LOS ANGELES (29B-LA-115072) (P)

2 TO DIRECTOR FBI/IMMEDIATE/

3 BT

4 UNCLAS

5 CITE: //3410:WCC-3//

6 PASS: SSA [REDACTED] FINANCIAL INSTITUTION FRAUD UNIT (FIFU),
 7 WHITE COLLAR CRIME SECTION (WCCS).

8 SUBJECT: EARL W. BRIAN; [REDACTED]

9 [REDACTED] FINANCIAL NEWS NETWORK, INC.; INFOTECHNOLOGY,
 10 INC. SECURITY PACIFIC NATIONAL BANK; 333 SOUTH HOPE STREET, LOS
 11 ANGELES, CALIFORNIA, BF&E, OO: LOS ANGELES.

12 FOR INFORMATION, RECENT MEDIA COVERAGE HAS INDICATED THAT
 13 TELEVISION CABLE COMPANY, FINANCIAL NEWS NETWORK (FNN), HAS BEEN
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b7CApproved: CGC [REDACTED]

Transmitted

18:15pm
 11-1-90
 (Number) (Time)

Per [REDACTED]

29B-LA-115072-6
 SEARCHED
 INDEXED
 SERIALIZED
 FILED

^PAGE TWO (29B-LA-15702) UNCLAS

EXPERIENCING SEVERE FINANCIAL DIFFICULTIES, IN PARTICULAR MEETING ITS DEBT OBLIGATIONS ON MORE THAN \$70 MILLION IN LINES OF CREDIT TO SECURITY PACIFIC NATIONAL BANK AND TORONTO DOMINION BANK. EARL W. ^{BRAN}BRAN, FORMER CHIEF EXECUTIVE OFFICER (CEO), [REDACTED]

[REDACTED] FORMER ACCOUNTING STAFF EMPLOYEES, HAVE ALL BEEN TERMINATED FROM FNN AS WELL AS THE FIRM'S [REDACTED]

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LOS ANGELES HAS RECEIVED INFORMATION THAT THE LOS ANGELES BASED FNN FINANCIAL STATEMENTS SUBMITTED TO SUPPORT THE APPROVAL AND FUNDING OF THE BANK LINES OF CREDIT CONTAINED SUBSTANTIAL INFLATED AND FICTITIOUS ACCOUNTS RECEIVABLE. INITIAL INFORMATION INDICATES [REDACTED] MAY HAVE DISCOVERED SAME INFORMATION PLUS ADDITIONAL FRAUD.

THE SECURITIES AND EXCHANGE COMMISSION (SEC) HAS ALSO INITIATED AN INVESTIGATION REGARDING POSSIBLE SECURITIES VIOLATIONS. LOS ANGELES WILL BE ~~GRAND JURY~~ COORDINATING CAPTIONED INVESTIGATION WITH SEC AND AUSA [REDACTED] CHIEF, MAJOR FRAUD UNIT, UNITED STATES ATTORNEY'S OFFICE.

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BT

BUREAU WILL BE KEPT ADVISED OF FURTHER DETAILS.



U.S. Department of Justice

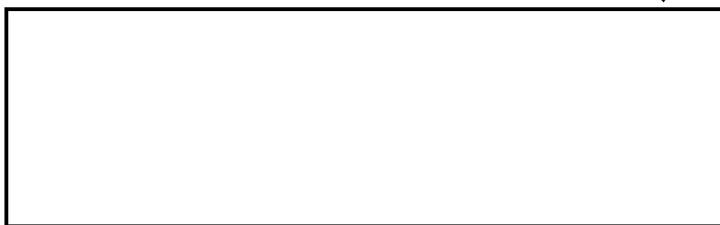
Federal Bureau of Investigation

In Reply, Please Refer to
File No.

Los Angeles, CA 90024

December 13, 1990

EARL W. BRIAN,
FORMER CHIEF EXECUTIVE OFFICER;



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b7C

FINANCIAL NEWS NETWORK, INC.;
INFOTECHNOLOGY, INC.;
SECURITY PACIFIC NATIONAL BANK,
333 SOUTH HOPE STREET,
LOS ANGELES, CALIFORNIA
BANK FRAUD AND EMBEZZLEMENT

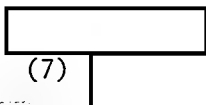
Officials of Security Pacific National Bank (SPNB) advised that Television Cable Company, Financial News Network (FNN) has been experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to SPNB and Toronto Dominion Bank.

Los Angeles has received information that the Los Angeles based FNN financial statements submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets and lease commitments.

The Securities and Exchange Commission (SEC) has also initiated an investigation regarding possible securities violations. Los Angeles will be coordinating captioned investigation with SEC, Internal Revenue Service, and Assistant United States Attorney (AUSA) [redacted] United States Attorney's Office.

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5 - Bureau
② - Los Angeles (29B-LA-115702)



29B-LA-115702-7

SEARCHED
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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 12/13/90

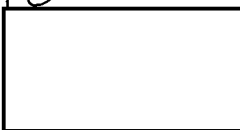
1 TO : DIRECTOR, FBI
 2 FROM : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) (P)
 3 SUBJECT : EARL W. BRIAN,
 4 FORMER CHIEF EXECUTIVE OFFICER;



5
 6
 7 FINANCIAL NEWS NETWORK, INC.;
 8 INFOTECHNOLOGY, INC.;
 9 SECURITY PACIFIC NATIONAL BANK,
 333 SOUTH HOPE STREET,
 10 LOS ANGELES, CALIFORNIA
 BF&E
 11 OO: LOS ANGELES

12 Enclosed for the Bureau are four copies of an LHM
 13 setting forth the facts of the above captioned case.

14
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 19 2 - Bureau (Enc. 5)
 20 ② - Los Angeles



Approved: _____ Transmitted _____

(Number) (Time)

Per _____

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29B-LA-115702-6

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:33

Case ID: 29B-LA-115702 Serial: 9

Description of Document:

Type : FD302

Date : 11/02/90

To : LOS ANGELES

From

Topic

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 118

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:33

Case ID: 298-LA-115702 Serial: 10

Description of Document:

Type : FD302

Date : 11/02/90

To : LOS ANGELES

From

Topic

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 119

Employee:

(Mount Clipping in Space Below)

FNN, Infotech Directors Hire Firm to Sell Assets

By JOHN LIPPMAN
TIMES STAFF WRITER

The directors of Financial News Network Inc. and Infotechnology Inc., confirming what analysts had expected, on Wednesday hired New York investment bank Wertheim Schroder & Co. to sell the financially troubled companies' assets.

The directors also charged that C. Steven Bolen, FNN's former chief financial officer who was fired last month over alleged financial improprieties, received \$795,000 in unauthorized compensation payments. It was the first such disclosure of the amount Bolen allegedly misappropriated.

Phone calls to Bolen's home were referred to his attorney, Howard Weitzman, who did not return calls seeking comment.

Alan J. Hirschfield and Allan R. Tessler, co-chief executives of FNN and Infotech, were appointed by the boards two weeks ago to consider selling some or all of Infotech's operations, which include a cable network and ailing United Press International.

In an interview Wednesday, Hirschfield said parts of FNN and UPI might be sold separately. For example, he said buyers have expressed interest in FNN's data services and UPI's sports wire and Latin American news service.

Whatever the outcome, Hirschfield and Tessler will have to act quickly. They have requested a 90-day moratorium on all interest and lease payments, which the banks and lessors so far appear to have granted. But after that, many

analysts believe that Infotech may be pressed into liquidation to pay off its obligations.

Hirschfield described FNN, Infotech's core asset, as "still a very valuable franchise" and said the company is projecting a profit for the 1991 fiscal year.

Infotech, which owns 47% of FNN, is a holding company that owns stakes in 14 companies. Infotech also owns 97% of troubled UPI, which earlier this week told its 350 union employees that the news service will have to be liquidated unless they accept a 35% pay cut for 90 days.

Several major media companies are believed to be interested in FNN, a cable TV channel available in 35 million homes. Mark Reilly, a partner in the New York investment firm MacDonald Grippo Reilly, estimates that FNN could bring between \$150 million to \$200 million if it were sold, a figure that Hirschfield did not dispute.

Analysts said a number of U.S. or international media giants could be considered likely buyers of FNN, including Time Warner Inc., Telecommunications Inc., Turner Broadcasting System Inc., Viacom Inc. or Capital Cities/ABC Inc.

"The inquiries we have had for the companies are very serious and come from the highest level," Hirschfield said. He added that more than 10 companies had expressed interest in FNN, UPI or other Infotech subsidiaries, including its 51% stake in the Learning Channel cable TV network.

FNN stock rose 75 cents Wednesday, closing at \$3.25, on news the assets would be sold.

(Indicate page, name of newspaper, city and state.)

Pg D2 Los Angeles Times
Los Angeles, CA

Date: 11/8/90

Edition: AM

Title: FNN, Infotech DIRECTORS
HIRE FIRM TO SELL ASSETS

Character: BF+E

or

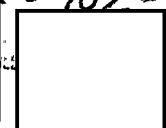
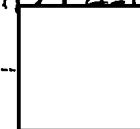
Classification: 29 B

Submitting Office: Los Angeles

Indexing:

Ⓟ

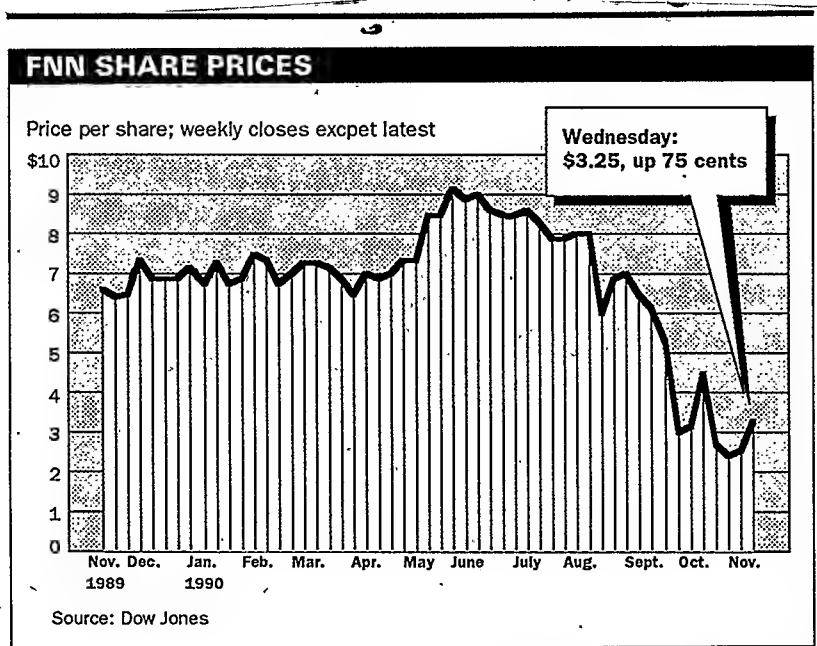
99B-1A-115702-11



FBI - LOS ANGELES



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Los Angeles Times

(Mount Clipping in Space Below)

D2 SATURDAY, NOVEMBER 10, 1990 ★**BRIEFLY**

Lawsuit Filed Against FNN: Lawyers for shareholders suing Financial News Network Inc. and its sister company Infotechnology Inc. filed an amended complaint in Los Angeles Federal District Court charging both companies' financial statements contained "pervasive falsification of accounts and transactions" during 1989 and 1990. Previously, former auditors Deloitte & Touche said they could not complete their audit for fiscal 1990 and withdrew their opinion for 1989's financial statements.

(Indicate page, name of newspaper, city and state.)

D2-BUSINESS SECTION
LOS ANGELES, CADate: 11/10/90
Edition: AM

LOS ANGELES TIMES

Title: LAWSUIT FILED AGAINST
FNNCharacter: 29B BPE
or

Classification:

Submitting Office:

LOS ANGELES

Indexing:

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29B-LA-115702-12

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| SEARCHED | |
| SERIALIZED | |
| FBI - LOS ANGELES | |

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:34

Case ID: 298-LA-115702 Serial: 13

Description of Document:

Type : FD302

Date : 11/13/90

To : LOS ANGELES

From :

Topic:

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Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 120

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:35

Case ID: 29B-LA-115702 Serial: 14

Description of Document:

Type : FD302

Date : 11/13/90

To : LOS ANGELES

From :

Topic:

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Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 121

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:35

Case ID: 29B-LA-115702 Serial: 15

Description of Document:

Type : FD302

Date : 11/14/90

To : LOS ANGELES

From :

Topic:

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Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 122

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:37

Case ID: 29B-LA-115702 Serial: 16

Description of Document:

Type : FD302

Date : 11/27/90

To : LOS ANGELES

From :

Topic:

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 123

Employee:

JOSEPH P. LOEB
(1883-1974)
EDWIN J. LOEB
(1886-1970)
MORTIMER H. HESS
(1889-1968)

LAW OFFICES OF
LOEB AND LOEB
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
1000 WILSHIRE BOULEVARD, SUITE 1800
LOS ANGELES, CALIFORNIA 90017
TELEPHONE (213) 688-3400
FACSIMILE (213) 688-3460
CABLE ADDRESS "LOBAND"
TELEX 67-3106

NEW YORK OFFICE
230 PARK AVENUE
NEW YORK, N. Y. 10169
(212) 692-4800
FACSIMILE (212) 692-4990
TELEX 12-7400
CENTURY CITY OFFICE
10100 SANTA MONICA BOULEVARD
LOS ANGELES, CALIFORNIA 90067
(213) 282-2000
FACSIMILE (213) 282-2192
TELEX 67-3106
EUROPEAN OFFICE
PIAZZA DIGIONE ONE
00197-ROME
ITALY
011-396-887-0456
FACSIMILE 011-396-887-0288

WRITER'S DIRECT DIAL NUMBER:

[REDACTED]

November 28, 1990

VIA TELECOPY

[REDACTED]
Assistant United States Attorney
United States Courthouse
312 North Spring Street
Los Angeles, California 90012

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b7E

Re: [REDACTED] re
Financial News Network

Dear [REDACTED]

I wanted to let you know that I have made arrangements with the FBI and [REDACTED] agents for the review of additional [REDACTED] documents tomorrow at 1:00 p.m. at our office.

In a conversation today with [REDACTED] of the FBI, I pointed out that [REDACTED]

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[REDACTED]

We will not be producing documents which have been designated as being privileged. A log of those documents is being prepared and we will provide you with a copy as soon as it is completed.

Best regards.

Sincerely,

[REDACTED]

of Loeb and Loeb

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RAM/prt
[REDACTED] 20839.L02

cc: [REDACTED]

99B-LA-115702-17
[REDACTED]
[REDACTED]
[REDACTED]

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 11/29/90

From : SA [redacted]

b6
b7C

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER:

[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

[redacted] This memo is to document that on 11/26/90, SA [redacted]
[redacted] met with AUSA [redacted] regarding above captioned
matter. Also present during the meeting were Special Agent
[redacted] and SA [redacted]
[redacted] FBI.

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AUSA [redacted] was advised of the facts of this case and
the following investigative plan was established:

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29B-LA-115702-18

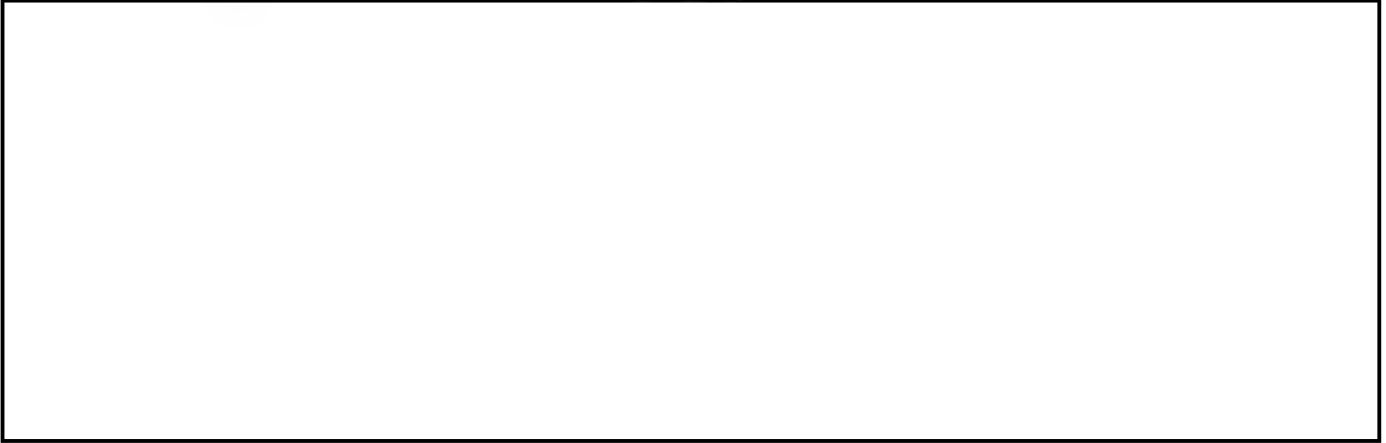
[redacted]
[redacted]
[redacted]
FBI - LOS ANGELES
[redacted]

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29B-LA-115702



(Mount Clipping in Space Below)

FNN Discloses Losses: Financial News Network Inc., which has been embroiled in a financial controversy since October, said it expects to report a \$72.5-million loss for fiscal 1990. The company has been unable to report its financial results for the fiscal year ended June 30 because it replaced its auditing firm in a controversy over how FNN was reporting a \$28-million investment in a new service. FNN said its auditors had "substantially completed their examination" and it expects to file audited financial statements with the Securities and Exchange Commission in early December.

(Indicate page, name of newspaper, city and state.)

Los Angeles, California

Date: 11/30/90

Edition: Los Angeles Times
Business Section
Page 2

Title:

FNN DISCLOSES LOSSES

Character: BF+E
or

Classification: 29B-LA-#115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-19

| | |
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| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| FBI - LOS ANGELES | |

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 12/11/90

From : SA [REDACTED]

b6
b7C

Subject: EARL W. BRIAN;

[REDACTED]
FINANCIAL NEWS NETWORK, INC.;
INFOTECHNOLOGY, INC.;
SECURITY PACIFIC NATIONAL BANK,
333 S. HOPE STREET,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

On 10/29/90, SA [REDACTED] met with AUSA [REDACTED]
[REDACTED] and AUSA [REDACTED] regarding above captioned
matter.

AUSA [REDACTED] advised that [REDACTED]
[REDACTED]

AUSA [REDACTED] advised that [REDACTED]
[REDACTED]

AUSA [REDACTED]

AUSA [REDACTED]

AUSA [REDACTED] further advised that SA [REDACTED]
[REDACTED]
[REDACTED] SA [REDACTED]
[REDACTED]
[REDACTED]

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2)

29B-LA-115702-21

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29B-LA-115702

[redacted] advised AUSA [redacted]

that [redacted]

[redacted] telephone [redacted]

AUSA [redacted]

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(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

DAILY NEWS
LOS Angeles, California

Date: 12/19/90

Edition: AM

BUSINESS Pg 4

Title: FNN LOSES \$72.4 MILLION FOR YEAR

Character: BFE
or

Classification: 29B-LA-115702

Submitting Office: Los Angeles

Indexing:

4—BUSINESS / WEDNESDAY, DECEMBER 19, 1990 / DAILY NEWS

FNN loses \$72.4 million for year

Associated Press

WASHINGTON — Financial News Network Inc. suffered losses totaling \$72.4 million for fiscal year 1990, the cable television concern said Tuesday.

Factors in FNN's reversal of fortune included accounting changes totaling \$65 million. The company said the changes regarded improperly documented lease

transactions, new product development costs and payments to its sister company, United Press International.

FNN and UPI are subsidiaries of Infotechnology Inc.

FNN said it was in the process of revising its quarterly reports for the first three quarters of 1990 to reflect a review conducted by FNN and its new accountants, Coopers & Lybrand.

Last month FNN said it expect-

ed a net loss of \$72.5 million for the 1990 fiscal year.

Last year, for the fiscal year ending in 1989, FNN recorded a profit over \$3 million, but those figures were unaudited.

Financial News Network provides business, sports and market data to cable systems in the United States and Canada. FNN and Infotechnology collectively own 51 percent of the Learning Channel,

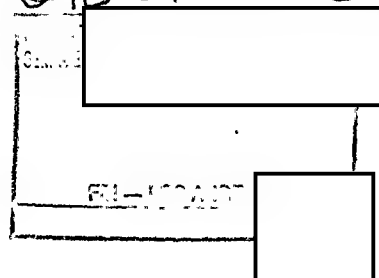
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| SERIALIZED | FILED |
| FBI — LOS ANGELES | |

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DAB-LA-115702-23



Exclusive Sammons Guide Dec. 16-22

TV Times

LOS ANGELES TIMES

Cable's FNN
and CNBC
Take Aim at
the Same
Money-Minded
Audience: Is
There Room
for Both?

FINANCIAL
NETWORKS
MEAN
BUSINESS

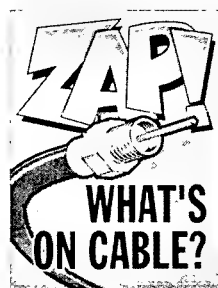


"Marketwatch A.M.," with FNN anchors Ron Insana, left, and Randall Whipple, is geared toward viewers trying to keep up with—or stay ahead of—the market.



Washington pundit John McLaughlin interviews model Cheryl Tiegs on his evening talk show on CNBC.

Financial Networks Run for the Money



So what's really on all those cable channels besides MTV and HBO? In a five-part series TV Times spotlights six cable networks nominated for cable's Ace Awards this year (airing Jan. 13). This week: FNN, the Financial News Network, and CNBC, the Consumer News and Business Channel.

BY DANIEL CERONE
TIMES STAFF WRITER

FNN: INVESTING FUTURE IN A NEW PRIME-TIME LINEUP

For Financial News Network, it's the best of times and the worst of times.

Good news first: After almost 10 years, FNN (now in 35 million households) has silenced the media brokers who didn't forecast a future—or much of an audience—in economic news. What's more,

FNN loosened its tie last year and successfully expanded into prime-time with lifestyles programming.

Now the bad news: Infotechnology Inc., the company that has controlling interest in FNN, recently ran into a cash shortage and has put the cable network up for sale to pay off its debts. Stock in FNN has plummeted, and shareholders have filed suit against FNN claiming the cable company wrongfully withheld details about its investments.

When asked how the sale of FNN will affect its programming, president Michael Wheeler said: "It won't. Nothing that the viewers see on television is affected by it. What's on air now is not affected. Nothing at all."

Most analysts seem to agree that despite the dark cloud looming over its parent company, FNN remains a financial gem. In fact, likely buyers for FNN reportedly include its biggest competitors—Turner Broadcasting System Inc., which owns Cable News Network, and General Electric Co., owner of Consumer News and Business Channel.

Wheeler explained FNN's value: "Before the stock market crash of 1987, we had been in a very strong bull market. It was pretty easy. Just send money to your stockbroker and it went up every month, or buy a house and it increased in value every month. Now we're heading into a recession. Managing your business investments requires much more study and information."

From its start in 1981, FNN set itself apart as a service for serious investors.

"The Insiders with Jack Anderson," airing nightly, gives FNN a Pulitzer Prize winner with the clout to get guests such as President Bush.



day, FNN's stock ticker from Wall
dashes across the bottom of the
reen. FNN reports on domestic
oreign markets, analyzing the day's
g and business news, with shows
as "Marketwatch A.M." anchored
n Insana and Randall Whipple.
We're wired for cable and we
FNN on in the office all the time,
with CNN," said Mark Riely, fi-
analyst with the New York in-
ent banking firm of MacDonald
o Riely Inc. "We keep FNN on
background the way teen-agers
t use MTV—you tune in and
out, depending what's on."
ome predicted FNN would lose
ribers and fold its tent when the
-slick CNBC, backed by the NBC
rk, started up 18 months ago.
t FNN was prepared. Two years
abandoned an ailing home-shop-
service and dropped much-enti-
"infomercials," commercials
ed as investment-advice shows.
all, with flashier new sets and a
staff, FNN ventured into prime-
with a slate of original lifestyles
ams geared for its upscale viewers.
ews you can use," Wheeler said.
he American Entrepreneur" with
Wirth, a sort of financial Charles
:, travels across America to uncov-
sonal success stories. "Power Pro-
moted by actor and financial ex-
Wayne Rogers, is FNN's "Lifestyles
Rich and Famous." Rogers goes
d the scenes with corporate big-
Other shows look at art and auto-
le collecting, real-estate invest-
and tips for business travelers.
his isn't old programming or re-
said Bob Regan, FNN's vice
lent of programming and opera-
"We don't buy programming
other people. We produce it. A
ears ago we were doing news at
Now we're doing high-quality,
zine-style programming."
ndicated columnist Jack Ander-
Pulitzer Prize winner who night-
said "The Insiders with Jack Ander-
said: "When I first went on FNN,
ower brokers in Washington
nt I did a daytime financial show.
eas at first they would say it's a
of time, now their response is
different. I can get almost any-
appear on my show. [President
agreed to be on later this season."
th the new changes, FNN's rat-
increased and the network's na-
advertisers tripled. Unlike most
networks that program for wider
aces, FNN knows who its upscale
s are and focuses in on them—a
graphic luxury it affords by charg-


ing higher advertising rates than most
of its cable competitors. Simmons mar-
ket research found last year that FNN,
an advertiser's dream, had a greater con-
centration of high-level spenders than
any other cable network.
Wheeler said 70% of FNN's viewers
are males with college degrees and an-
nual salaries of \$30,000 or more. "We
don't do programming that necessarily
appeals to a male or female. If a female
is investment-oriented she will watch.
If not, she won't," Wheeler said.
On weekend afternoons FNN
switches to sports news, interviews
and scores. FNN also broadcasts its fi-
nancial news to a radio network of 100
stations and offers a service that plugs
its stock quotes and business news di-
rectly into personal computers.
The changes and other ventures at
FNN didn't come cheaply—the re-
ported price tag was \$115 million. If
FNN is sold to a major domestic or in-
ternational media company, as ex-
pected, the network will probably
grow even larger. In the meantime,
with its advertising and subscriber
base secure, FNN is sitting tight and
waiting to see where its future lies.

CNBC: COMPETING WITH A BROAD MIX OF PROGRAMMING

I f somebody one day writes a
book about the Consumer News
and Business Channel, it might
be called "The Marketing of a
Cable Network."
Backed by the power, re-
sources and reputation of NBC,
the No. 1 TV network, CNBC pre-
miered with a promotional bang
in 13 million households on April
17, 1989. During an industry-wide
channel crunch that kept other aspiring
networks waiting in the wings, the up-
start CNBC—with a bankroll reported
at \$65 million—hoped to win viewers
with shiny sets and graphics, seasoned
hosts such as Dick Cavett and a mix of
consumer and business reporting.
But after the launch the Wall Street
Journal described it as an "odd mix of
serious financial news with softer, con-
sumer-oriented features" and noted that
initial reviews from media critics and
cable operators were mostly negative.
One critic called the channel "the 'En-
ertainment Tonight' of financial news."
"The industry told us after we were
on the air for a relatively short period
of time that they wanted us to be a bit
harder during the day," CNBC presi-

dent Al Barber said. "They expected us
to be substitutional for FNN."
With 16.7 million subscribers,
CNBC has refined its two-prong ap-
proach to consumer and business pro-
gramming. In a sense, the days have be-
come harder and the nights softer.
During business hours, CNBC mir-
rors FNN in most respects. With its
own ticker racing across the screen, the
channel covers breaking financial and
market news, with commentary and
analysis from a host of experts.
CNBC, willing to pay top dollar to
build a strong news team, has lured
quality reporters from its competitors.
In October, Dan Dorfman, CNN's 10-
year financial veteran, broke ranks and
joined CNBC. Consumer guru David
Horowitz recently signed with the cable
network to do reporting next year (he
will maintain his duties at L.A.'s KNBC).
One attraction is that CNBC re-
porters have a shot at national network
exposure on NBC.
Anchor Sue Herera explained her
defection from FNN two years ago:
"The affiliation with NBC meant a lot. I
use NBC's resources and research de-
partment, interact with the NBC news
desk and do [reporting] spots on 'NBC's
News at Sunnise.' So it really opened up
a whole different level of news for me."
During the evening, CNBC be-
comes a grab bag of consumer infor-
mation and talk shows. On "Smart
Money," with Ken and Daria Dolan,
viewers call in for tips on money man-
agement. "America's Vital Signs" doles
out health and lifestyle advice, and
Emily Quinn explores consumer top-
ics on "Steals and Deals."
CNBC's lead nighttime characters,
each with his own talk show, are
Cavett, Washington pundit John
McLaughlin and the irrepressible
Morton Downey Jr.—who has left be-
hind "the chair-throwing, skinhead
era of his life," Barber said assuredly.
The cable channel's sometimes awk-
ward combination of hard-boiled finan-
cial news, over-easy consumer report-
ing and prime-time entertainment
continues to draw industry charges that
CNBC does not know who its audience
is. Critics maintain that FNN adequa-
tely serves the financial community, and
CNN and the major networks already
provide sound consumer reporting.
But Barber simply pointed to
CNBC's competitive ratings with FNN
and its growing subscriber base. He also
laid out plans for CNBC's future.
A nationwide hunt is now being
held for a radio talk show host to be-
come in February the cornerstone of a
nighttime, weekend block of live, call-

in programming (when CNBC current-
ly runs repeats of its weeknight shows).
To capitalize on Dorfman's com-
mentary skills, an afternoon talk show
with a panel of business leaders is in
early development. And in the next few
months, Barber expects to cut deals
with hotels and cruise ships to pipe
CNBC to an international market.



In an attempt
to draw viewers
and attention
to itself, CNBC
went after name
talent such as
talk-show host
Dick Cavett.

IS TWO TOO MUCH?

I s there room for two networks that spe-
cialize in business and financial news?
"Let's put it this way," New York finan-
cial analyst Mark Riely said, "I don't think
cable operators feel that in the midst of
channel scarcity it's the most productive
thing to have two duplicate services."
Ratings from the A.C. Nielsen Co.
show that FNN has the edge over CNBC
during the business day, but CNBC pulls in
slightly more viewers at night. FNN's after-
noon rating is .3, meaning that with 35.4
million subscribers an estimated 106,200
of them flip to the station at some point in
the day. During roughly the same time,
CNBC draws 33,400 viewers nationally
based on a .2 rating in 16.7 million homes.
Some cable operators offer both net-
works. West Valley Cablevision in
Chatsworth carries CNBC full-time, but
FNN only during the day, switching to Prime
Ticket at night. "The two are competitors in
a sense," general manager Tom Belcher
said. "But FNN is still more for the hard fi-
nancial person. CNBC is more attuned to
the everyday consumer, who may or may
not be involved with the stock market."
But, Joyce Newman, a television pro-
ducer for the nonprofit Consumer's Union,
suggests that a consumer-oriented cable
network has its limitations. "We take an
approach on product stories," she said.
"CNBC is not going to do that sort of con-
sumer story. It's not in their best interest
because they need advertisers."
In the long run, Riely said, CNBC's real
threat may not be FNN at all. "There are
some in the industry, including Ted Turner,
who believe that CNBC will never find a
way to be profitable in the financial news
service, not with FNN as a competitor," he
said. "CNBC will have to turn to broader
news, and that makes CNN its major com-
petitor." —D.C.

FNN owner can't pay loan

Associated Press

NEW YORK — Infotechnology Inc., the cash-strapped owner of Financial News Network and United Press International, said Friday it could not repay a \$20.7 million loan that was called in early.

The lenders, Security Pacific National Bank and MidLantic National Bank, now have the right to foreclose on Infotechnology's 46 percent stock interest in FNN, a cable television network.

The FNN stock was placed as collateral for the loan, which originally was due next July. The banks did not say whether they would exercise their foreclosure option. Security Pacific said in a statement: "The credit is in default and the banks have moved to protect their interests."

An Infotechnology spokeswoman said the company's cash flow did not allow it to pay the principal and interest on the loan, which was called for payment by Los Angeles-based Security Pacific. MidLantic is based in Laurel, N.J.

The banks did not say why they called in the loan early.

The Infotechnology spokeswoman, who asked not to be named, said the company believes the banks will not foreclose on the loan. She said Infotechnology would continue seeking buyers for its media subsidiaries to raise cash.

The development was the latest blow to Infotechnology, whose FNN subsidiary reported a \$72.5 million loss for its 1990 fiscal year. UPI, a news wire service, reportedly has been losing as much as \$2.5 million a month.

Last month, UPI union and management employees agreed to a 35 percent pay cut for 90 days to give the news service time to find a buyer.

CORRECTIONS & AMPLIFICATIONS

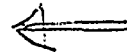
DEL MONTE FOODS Inc. of San Francisco, a privately owned company, was incorrectly identified in the Dec. 10 edition as a subsidiary of Polly Peck International PLC, which has a subsidiary named PPI Del Monte Tropical Fruit Co.

* * *

PROCTER & GAMBLE Co.'s retiree health benefits liability is less than \$2 billion, and the company says it retains legal liability for the retiree medical benefits of its employee stock ownership plan. P&G's benefits liability was misstated in the Dec. 13 edition. While the IRS is reconsidering its letter approving the qualification of P&G's ESOP plan, that letter hasn't been withdrawn, and P&G is proceeding with its share repurchase program as outlined to shareholders.

* * *

UNITED PRESS INTERNATIONAL is 97%-owned by Infotechnology Inc., which also owns 47% of Financial News Network Inc. An article in Wednesday's edition incorrectly identified UPI as an FNN unit.



BUSINESS BRIEFS

Financial News Network

Financial News Network Inc., as expected, reported a loss of \$72.4 million for fiscal 1990, reversing previous results that are believed to have been artificially inflated.

A per-share figure wasn't given for the latest period, and year-earlier results weren't immediately available.

Last month, FNN said it expected to post a \$72.5 million loss for the year ended June 30. In a filing with the Securities and Exchange Commission, the New York concern said a number of factors contributed to the loss, including bad lease agreements; payment of funds to United Press International, which FNN owns; new product investment costs and a change in reporting income for two major contracts. FNN also said it is in the process of revising reports for the first three quarters of fiscal 1990, for which it had reported net income of \$4.8 million.

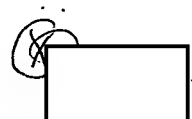
As previously reported, more than half of the losses for the year relate to eliminating its controversial intracompany transactions. Those transactions are believed to have inflated financial results. FNN's new auditor, Coopers & Lybrand, apparently ruled out such transactions in its review of company finances, prompting FNN to disclose its forecast of the loss.

X

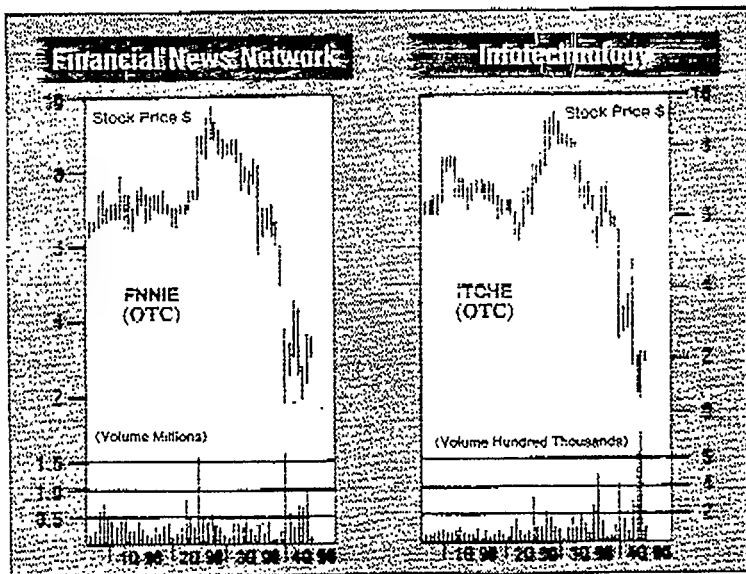
D2 . SATURDAY, DECEMBER 22, 1990 ★

BRIEFLY

Infotechnology Loan Called In: Security Pacific National Bank unexpectedly called in a \$20.7-million loan to Infotechnology Inc., stating the company was "in default" and the bank had "moved to protect its interests." Infotechnology owns 46% of Financial News Network Inc., a popular cable-TV business news channel, which has been in financial turmoil for several months since disclosure that it had cash flow and accounting problems. Infotech and its various assets, which include a 97% stake in United Press International, are up for sale.



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Barron's / Knight-Ridder Tradecenter

The Real Scoop

Behind the Bad News at FNN and Troubled Infotech

BY NANCY GIL NEVENS

MARGARET Wienczek remembers vividly the day the auditors from Deloitte Touche walked out on the Financial News Network. "All of a sudden one day, they came in and had a big meeting with management. Deloitte cleared out that afternoon. Senior management said, 'Oh, they'll be back.' But they didn't come back. And, right after that, there were all those newspaper articles saying FNN had fired them."

That was two months ago. Deloitte said goodbye to both FNN and Infotechnology, FNN's controlling shareholder. The accountants refused to sign the companies' fiscal 1990 financial statements and disclaimed as well their former approval of Infotechnology's and FNN's fiscal 1989 financial statements.

Wienczek was caught off guard, but she wasn't entirely shocked at the turn of events. As director of administration at FNN, and assistant to C. Steven Bolen, FNN's chief financial officer, Wienczek had an unobstructed view of how the Financial News Network was handling its finances behind the scenes. Not only did she oversee payroll and purchasing, she arranged for FNN's insurance and handled the paperwork for insider stock transactions. During 1988 and 1989, Wienczek also frequently took the minutes at the company's board of directors' meetings.

And by last summer, Margaret Wienczek had come to the conclusion that the cable television network that dispensed financial wisdom and information to some 35 million American households was, in effect, cooking its own books: "The general ledger was doctored—changed to fit whatever Mr. Bolen wanted it to be." Within the past month, Wienczek has brought her charges to both the SEC and the Los Angeles U.S. Attorney's office, which has turned the case over to the FBI.

In a series of exclusive interviews with *Barron's*, Wienczek and David Zadroga, one of three accountants from FNN's Los Angeles headquarters, have revealed much of what they saw over the past year at FNN. "The company claimed it was finally turning a profit, but if you did a straightforward accounting, they were probably losing \$2 million-\$3 million a month," Zadroga asserts.

"Deloitte estimated that they were losing \$40 million in 1990—after you take out the related-party transactions," Zadroga, who left the company last month, says that these estimates find confirmation in FNN's own documents.

"I've been an accountant for 13 years, but I'm not a financial expert," Zadroga comments. "I can't explain everything that was going on. I was a chemistry major in college—I've been doing accounting from experience for the last 13 years. But I have my files, including three sheets of paper, with numbers written down by Bolen and Mitchell Young, FNN's comptroller, telling me how much revenue to book, and how much to book in capitalized costs. I was supposed to work backward from those totals, and come up with entries. I didn't tell the auditors anything until the investigation had begun. But I also have copies of little memos I sent to Bolen and Young, asking for backup."

"I was stupid, I guess, or ignorant, or loyal—or whatever you want to call it, until, I guess, the end of last July. Then, the auditors began to ask questions and I began to see the whole picture. The backup didn't exist."

Indeed, Zadroga notes, FNN's books had a certain symmetry that comes from reckoning the bottom line first: "If you look at the 10Qs, they increase their bottom line by the same increment each

quarter. ... Not too many companies work that way."

Both Wienczek and Zadroga insist that Bolen, FNN's chief financial officer, didn't perform his bookkeeping ledgermain all by himself. "I would presume Bolen did what he did at the order of Dr. Earl Brian," declares Wienczek. Brian was the chief executive officer of both Financial News Network and Infotechnology, which held a 47% stake in FNN, and, Wienczek observes, "Bolen answered to Brian."

Indeed, a close look at both Infotechnology and FNN's financial statements reveals numerous "related party transactions" between companies owned or controlled by Earl Brian. According to Zadroga, such transactions accounted for the difference between FNN's showing a profit or a sizable loss each month.

Earl Brian's financial empire consisted of interlocking pieces that include, besides FNN and Infotechnology, United Press International (UPI), the beleaguered wire service; Telecommunications Inc. (TII), a privately held computer-based information systems company; Data Broadcasting Corp. (DBC), a privately held videotext company that provides stock quotations to personal computer users; Hadron Inc., a government contractor; the Learning Channel, a privately held educational cable television channel, and various other companies, some of them shells. (See chart on page 38.)

Virtually every company in Brian's web had a service contract with another Infotechnology-controlled company. Even if no services were performed, sometimes "accounts receivable" were booked.

"They kept money going around in a circle—just one step ahead of the auditors," says Wienczek.

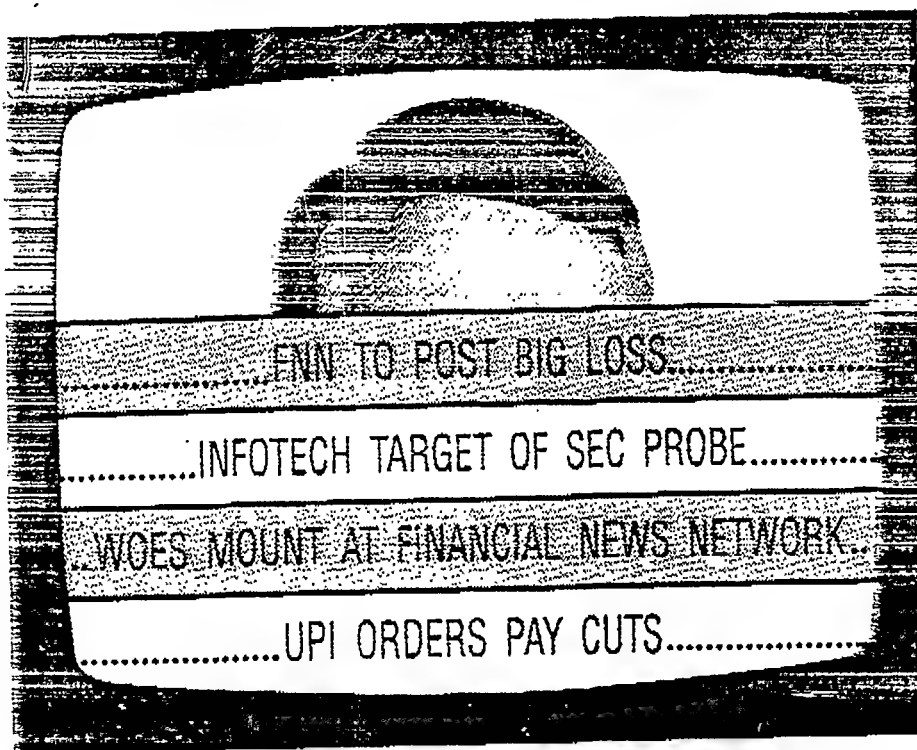
At the top of the empire, Infotech

managed the welter of related party transactions, and management, in return, received fees. According to its 10Q dated March 31, 1990, Infotechnology earned \$3.8 million in management fees for the nine months ended March 31—up from just \$1 million in the comparable year-earlier period. In the same nine months, Infotech also reported over \$1 million in "interest from loans to component companies." Not only did Infotech own a significant stake in the various companies in Brian's empire, but the companies themselves frequently swapped stock with each other and commingled funds and assets to a degree that would ultimately baffle even the auditors.

"Who's going to be able to follow that paper trail?" asks an insider at UPI. "They were shifting assets often enough that it becomes spaghetti." Asked about the relationship among UPI, FNN and Infotech, Infotech's spokesperson referred *Barron's* to Milton Capps, UPI's spokesperson, who could only observe: "It does seem to be a complex matter."

Former FNN accountant Zadroga says that not all of the accounts receivable generated by "related party transactions" were ever paid. "Most of these revenues that they booked from related parties were revenues they would never get," he avers, and he offers this example: "If UPI was making anything, it was nowhere close to the revenues we booked from them—about \$4 million a quarter. That was just a number given to me."

The pattern is confirmed by Graham Keeping, former president and CEO of Comtex, a company that provided electronic distribution services for UPI, and was absorbed into the Infotechnology matrix in 1986, when a group led by Brian took over the wire service. "Suddenly, Comtex began getting bills from



Atlantic Contracting, a Hadron subsidiary, for services they claimed they rendered to Comtex. But we had never received any services, nor had I ever signed any contract for any services. The bills had mounted up into the thousands when I resigned."

Keeping relates: "Part of the deal was that Brian's group would get two board seats. At the second directors' meeting, they voted themselves two more board seats. Then, they funneled a large percentage of Comtex's activity and service into DBC, (98% owned by FNN), the company they have that provides stock quotations to personal computer users. They made Comtex a division of DBC, and DBC was the silliest idea I ever heard of. No one was going to buy that service for several thousand a month—and pay several thousand for a computer, to get those stock quotations. At that time, they'd been running DBC for one-and-a-half to two years, and weren't even in smelling distance of their original marketing target."

not doing as well as hoped. "Not long ago, FNN's insurance company wanted a list of people subscribing to DBC services. When I called Microage, the company that manufactured the DBC boxes, to get the list, I was told that the manufacturer had been told to keep on producing serial numbers, but not to make the boxes. There were far more serial numbers than boxes actually produced."

Keeping was an outsider, never more than an interested spectator. Zadroga explains how, inside the close-knit family of companies, Infotech executives who took orders from management worked together on their cooperative bookkeeping ventures. "The powers-that-be would come up with these schemes and have people write these contracts up. They were internally generated by management—it was really all the same management. And, if one of the companies' records disagreed with

another, they'd just send them a note back saying, 'No, it's not \$300,000; it's \$700,000—just revise it or do something to show that you owe us \$700,000.' It happened all the time. They'd agree to whatever FNN wanted."

"In a way, FNN was the parent company—though Infotech was the head honcho. FNN was the company Earl Brian hoped to sell and make a lot of money on. They had a number in mind and they would do whatever they had to do to get that number." In response to *Barron's* requests for an interview with Brian, an Infotechnology spokesperson replied that he was not available.

C. Steven Bolen, the chief financial officer for FNN and Brian's business associate for more than 20 years, was fired when the auditors began to raise questions.

When Financial News Network's board of directors launched an investigation of FNN's finances last summer, it was discovered that Bolen had paid himself some \$795,000 in bonuses that the company termed "not properly authorized."

"Bolen was building a house. So, he paid himself \$150,000 a month," Wienczek explains. Neither Bolen nor his attorney, Howard Weitzman, has returned *Barron's* phone calls.

But, apparently, Brian did not fire Bolen immediately. Instead, last summer, executives from Infotechnology-controlled companies on the East Coast were flown to FNN's Los Angeles headquarters to oversee the Deloitte audit. Bolen told FNN's accounting staff that he was taking an extended vacation and then moving on to bigger and better opportunities.

Wienczek recalls the meeting: "Last July, everyone involved in the year-end audit was brought to Bolen's office, one by one, and introduced to Gary Prince, a vice president from Infotech, and Sandy Sewatch, vice president and cor-

porate comptroller from UPI. Bolen told us, 'They will be overseeing the audit. Please cooperate with them as you would with me.'" (Last week, *Barron's* received a call from a former accountant at UPI outraged that Prince has not borne more public responsibility for the financial debacle at FNN and UPI. "I'm so tired of seeing all the stories focus on Bolen. Mr. Gary Prince was in charge of finances here and at Infotechnology," the former UPI employee said, "and he goes along jauntily as if nothing can harm him personally. But he has the power.")

In August, Deloitte Touche started its official audit, while Infotechnology's attorneys at Gibson Dunn & Crutcher began an investigation at the behest of FNN's board of directors. Early in August, Earl Brian appeared briefly on the scene.

As the audit proceeded, the auditors appeared increasingly skittish. Zadroga reports, "Deloitte began to see some things, and they wouldn't always talk to the comptroller, they'd talk to us. Our answers led them to other questions, and other questions. They started calling Data Broadcasting (98% owned by FNN) and UPI about related party transactions—and Data Broadcasting and UPI weren't prepped to answer these questions."

"The accountants from Deloitte were straightforward accountants," Zadroga continues. "In an audit, you get typical grunt workers who do their job. The grunt workers can find things wrong, but they don't make the final decision; the accounting firm's partners make the final decision on what to report. But Deloitte's partners didn't like the way things had been handled a year earlier, during the '89 audit. A lot of questions were brushed off, and it looked like in '90, Deloitte's management had decided they weren't going to let FNN push anything through. Also, by 1990, Deloitte Haskins & Sells, the firm that did

the '89 audit, had become Deloitte Touche. And I think the Touche people took a tougher attitude."

Zadroga remembers the events leading up to the day the auditors quit. "We had done some post-closing entries, and they saw it was just further screwing around. We'd reversed roughly \$6 million of capitalizations done during the first three-quarters of the year. The powers-that-be had come up with another number, about \$2.3 million, and they didn't have any backup available. Deloitte said, in essence, 'That's it. Goodbye, gentlemen.'"

Over a month earlier, in August, Wienczek and Zadroga say they were ready to report what they knew to the SEC. But, they recall, the attorneys from Gibson Dunn urged them not to go to the authorities on the grounds that they were already investigating the matter.

"I knew that people on the accounting staff were coming in weekends and doctoring the general ledger. I just got so upset I had to say something," Zadroga recalls. "Personally, I thought none of us should have been allowed in the building during the audit and investigation. They should have got a conference room somewhere and interviewed us there. But everyone had access, and some employees were altering the books. I told the auditors what I knew toward the end of August. One of the auditors told me, 'It looks like things are going to be brushed off.' I said, 'The hell with that. I've already got a letter in my computer to the SEC.'"

"The auditors told Gibson Dunn, and a couple of days later, two attorneys from Gibson—Dhiya el-Saden and Bradford Weirick—called me in," Zadroga remembers. "They asked about the letter and Dhiya said, 'I wish you wouldn't.' He told me that there was more money and more people involved than I could possibly comprehend. If there was wrongdoing, he said they'd handle it and make sure it was properly taken care of. And I believed them."

The attorneys who spoke to Zadroga weren't available to comment. But John Olson, a senior partner from Gibson Dunn overseeing the case, told *Barron's*: "The special committee of the board of directors of FNN was fully briefed as to information obtained throughout the inquiry and has in turn reported to the board of directors. We are advised that the company and its auditors have taken appropriate steps to protect all relevant company records and documents. As previously reported, the company is cooperating with an investigation being conducted by the Securities and Exchange Commission and is in the process of producing documents requested in that investigation. As a matter of our professional obligations, we cannot and will not comment further."

But Wienczek remains skeptical and she and Zadroga are cooperating with both the SEC and the FBI in their investigations of FNN's finances. "I was ready to go to the SEC myself, last August, and I should have," she says. "But the attorneys fed me a sad line about how much money and how many lives would be ruined."

Indeed, jobs and livelihoods were at stake. Deloitte left at the end of September, and on Oct. 12, the day Infotech learned that the SEC had issued a formal order of investigation, FNN's chief financial officer, C. Steven Bolen, was fired. Four days later, Bolen's entire 22-person accounting staff—including Margaret Wienczek and David Zadroga—were terminated without notice.

Continued on Page 38

Real Scoop

Continued from Page 9

While firing Bolen and his staff, Infotechnology announced that Coopers & Lybrand had been retained to replace Deloitte and that an audit would be completed as soon as possible.

But even before that accounting was finished, at the end of October, FNN announced it had insufficient cash flow to meet operating expenses or to cover maturing obligations. Infotech soon followed with a similar confession of inadequate cash flow, and installed new management at both Infotech and FNN.

On Oct. 24, Alan J. Hirschfield and Allan R. Tessler were named "co-chief executives" of both Infotechnology and FNN, effective immediately. But Brian was not exiled from his empire: He would remain "non-executive chairman" of the boards of both companies.

Tessler, a lawyer, and formerly a member of Infotechnology's board of directors, had been Brian's business associate and adviser for many years. Indeed, when *Barron's* asked Brian some ticklish questions during an interview in February of 1988, he responded, "You'll have to refer those questions to Allan Tessler, at Shea & Gould."

Hirschfield, formerly chief executive officer of both 20th Century-Fox and Columbia Pictures, has a long association with Alan & Co., the investment banking house that helped launch a number of Brian's business ventures.

Hirschfield and Tessler refused to be interviewed. (An Infotechnology spokesperson told *Barron's* that they would entertain only written questions, and provide written replies, because of unspecified "inaccuracies" in a previous *Barron's* article on FNN.) But seemingly, Infotechnology's new custodians can hope only to oversee the sale of key parts of Earl Brian's tarnished empire. Meanwhile, the stock prices of both FNN and Infotechnology have collapsed. Infotechnology shares, which traded as high as \$9 earlier this year, sank to \$1 in recent weeks, while FNN stock has plunged from over \$9 to \$2.

Before the recent revelations of financial difficulties, everything seemed to be going swimmingly at FNN. Just a month before FNN disclosed its lack of cash, *Business Week* reported: "FNN is doing fine on its own. While FNN's facelift flattened earnings for several years, the upturn has arrived. For fiscal 1990, ended in June, profits are expected to jump about 70% to \$5 million, on \$80 million in revenues."

Lenders were equally generous in their assessments. According to Infotech's March 31, 1990, 10Q, during the quarter

ended Sept. 30, 1989, Infotech signed a \$20 million loan and security agreement that matures in July 1991—secured only by the company's holdings of FNN common stock. Infotech lenders upped the total in February 1990 to \$25 million. By March 31, 1990, the company had drawn down some \$17 million of this line of credit.

Not everyone, to be sure, was delighted with Brian's stewardship. Thus, Avacus Partners, an investment firm with a 7% interest in Infotech, grew increasingly disturbed at transactions among companies controlled by Infotechnology and

members of the Brian empire that the firm's attorneys deemed "questionable." Last month, Judge William T. Allen denied a motion for summary judgment to dismiss on four out of five counts, intimating that the firm's allegations—that the Brian empire was engaged in a "scheme to defraud"—were plausible.

The new management has placed a high priority on the network, the jewel of the empire. In the Black Box, the company is heavily invested. FNN and Infotechnology own 50% each, with a combined 100% ownership in a number of areas, including lease obligations, and ex-FNN

employees in 10 cities and affiliated with 10 million on salaries and another \$1 million on leasing equipment. Right there, you have \$2 million, and a large company with a satellite link-up easily had more than another \$1 million a month in expenses. There were almost 20 separate expense lines, and we used most of them every month. For instance, we had a large pool of contract labor, freelancers, who were paid roughly \$400,000 a month. Then there was overhead, office supplies, transmission expenses, satellite expenses, utilities, rents for the buildings.

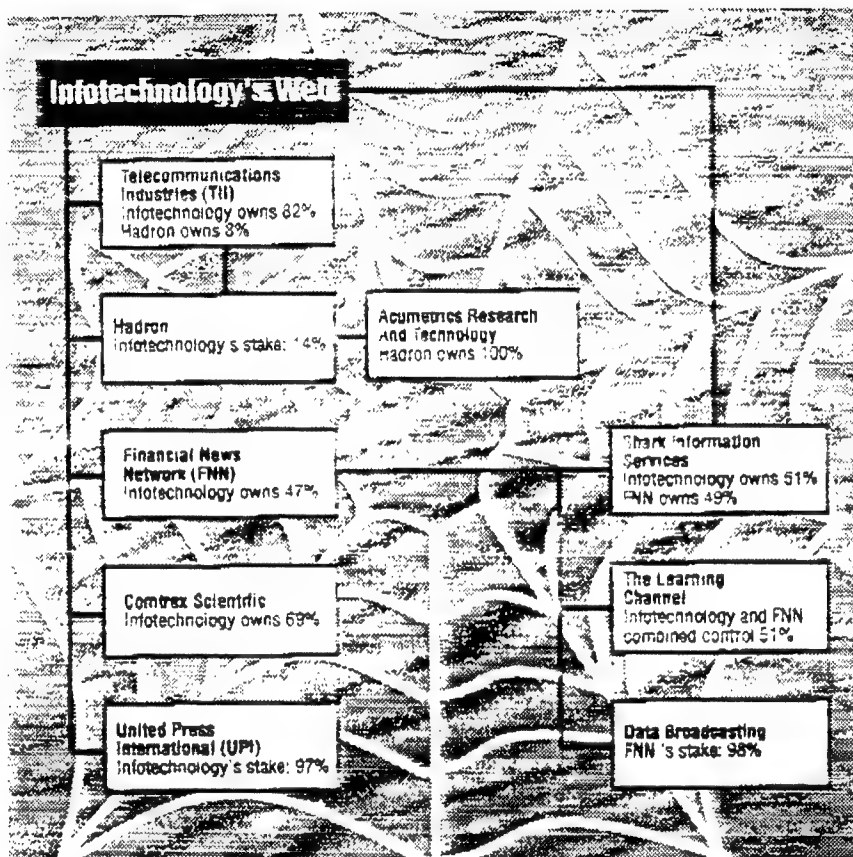
While FNN's books reveal some dubious accounts receivable, that by no means, Zadroga insists, tells the whole story. His contention: Some revenues were simply bogus. "For instance, the leases. Some of the lease deals were legitimate, but some weren't. What FNN would do to raise cash is sell equipment, and then lease it back—except they'd do a sale and leaseback with the same piece of equipment to several different companies."

Zadroga elaborates on how the scam worked: "FNN went to a company in Buffalo, N.Y., that created blank metallic labels, and then FNN typed in made-up serial numbers and had people in production put them on pieces of equipment. The company made an arrangement with the auditors that they would let us know what equipment they wanted to inventory so it could be ready. I used to joke with one of our financial people: 'What if they want to see all of the equipment at once? Is the auditor going to be willing to turn around while someone switches labels?' " The Buffalo plate-maker confirms that FNN was a customer.

FNN's value as a salable property, of course, lies not only in its financial condition and its profitability and cash flow, but also in its "franchise," the slot on the dial that gives it entry to 35 million homes. It is, after all, the best-known name in its particular niche and, for a long while, enjoyed a monopoly as the financial news network. But that name has been besmirched and, it turns out, the franchise is not carved in stone. "Brian was just trying to sign on as many subscribers as he could—so he could sell FNN. He's a venture capitalist—he wasn't as concerned about the long term and, as a result, most of FNN's contracts don't have carriage obligations," says a rival in the cable television industry. "In cable-speak that means that the contract defines the terms by which FNN must be carried—if it is carried. But you don't have to continue carrying it. If you decide you don't like FNN anymore, the bulk of these contracts are deals that you can walk away from."

Meanwhile, FNN's rival, CNBC, is ready to walk in. With deep pockets from NBC (read: GE), CNBC has, despite its huge losses, been able to persist, and now boasts 17 million subscribers—roughly half FNN's total. Observers have long said that CNBC poses a long-term threat. But now that FNN has been forced to broadcast its own bad news, that threat grows more imminent.

In sum, just how much FNN might fetch from one of the bidders reportedly interested in acquiring it is a question. But what is certain is that the startling revelations about the network and its parent, and the prospect of more to come, mean that it's worth a lot less than it was just a few scant months ago.



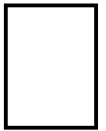
brought a suit charging that the company's directors had wasted its assets in a series of stock swaps designed "for the principal purpose of entrenching

accountant Zadroga reckons that, regardless of what it reported, the debt-ridden company was never truly profitable: "They received about \$3

They leased all of their buildings. For the headquarters in Los Angeles alone, they were paying at least \$100,000 a month."



b6
b7C



The Real Scoop On FNN's Bad News



Earl Brian

FNN TO POST BIG LOSS

INFOTECH TARGET OF SEC PROBE

AND ON
TROUBLED INFOTECH

TWO TOP TRADERS:
PLAY THE RALLY!

A CAUTIOUS PRO'S
TEMPTING PICKS

UP & DOWN WALL STREET

By ALAN ABELSON

THE WORLD'S coming to an end, so wouldn't you know it? materializes out of nowhere a new set of scolds to wag a finger at us and insist that we face it like a man. No matter how pressing the provocation—bear market, near-war, higher taxes, recession, depression, the loss of Darryl Strawberry—we're supposed to resist the temptation to sorten the impact with the usual aid and comfort. No matter that we always get a headache when we look into the abyss. No matter that *vino* has always been tight with *veritas*

(or is it the other way around?). If we know what's good for us, we'll stop washing down our aspirin with vodka.

The source of this latest outrage against civilized behavior is the Bronx Veterans Affairs Medical Center, whose researchers, according to a report they published in the most recent Journal of the American Medical Association, claim that aspirin and booze are a no-no combination that actually makes you blotto faster. They plied volunteers with a glass and a half of wine, and those worthies, while downing that potent potion, consumed two tablets of aspirin (extra-strength, of course). Unfortunately, the deed was done behind closed doors; hence there was no graphic description in the account in the New York Times of the ensuing weird acts by the subjects of the experiment. But we've no doubt that the floor

of the lab was littered with fall-down drunks, except for the instant inebriates who took to climbing the walls and the inevitable few who chomped away at the nearest phial.

Frankly, we suspect that these were potted plants, that the whole study was a temperance plot (with funding from the makers of Bufferin and Tylenol). And such suspicions were only reinforced by the considered reaction—a polite Bronx cheer—of Dr. Richard Vecch to the findings, as reported in the Times. Dr. Vecch has one of the longest official titles in all of medical science—"Chief of the Lab of Metabolism and Molecular Biology at the National Institute on Alcohol Abuse and Alcoholism at the National Institutes of Health"—and perforce must know whereof he speaks. He promptly demolished the

Continued on Page 47

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:38

Case ID: 29B-LA-115702 Serial: 24

Description of Document:

Type : FD302

Date : 01/07/91

To : LOS ANGELES

From

Topic

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 124

Employee

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:38

Case ID: 29B-LA-115702 Serial: 25

Description of Document:

Type : FD302

Date : 01/08/91

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 125

Employee:

b6
b7C

By JOHN LIPPMAN
TIMES STAFF WRITER

A partnership formed by Dow Jones & Co. and Westinghouse Broadcasting has agreed to buy the cable TV operations of troubled Financial News Network, the companies said Tuesday.

The agreement marks the first major asset sale by the former financial empire created by Earl W. Brian, a neurosurgeon-turned-entrepreneur who used FNN as the cornerstone for investments in dozens of companies, including ailing United Press International.

Under the 50-50 joint venture, Dow Jones will handle all programming and production for FNN while Westinghouse will handle the business end, including affiliate relations, advertising sales and promotion.

The price was not disclosed, but FNN said it was less than the company's total liabilities of at least \$142 million. Sources close to the deal said the price was between \$90 million and \$100 million.

Please see FNN, D13

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Indexin 1

FNN SOLD: A partnership formed by Dow Jones and Westinghouse Broadcasting has agreed to buy assets of the troubled Finar. 1 News Network. D1

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FNN: Other Bids Possible for Network

Continued from D1

FNN's other assets, which include a 51% stake in the Learning Channel and a 49% interest in Shark Information Services Corp., were not included in the sale. Even after those assets are sold, FNN said, the proceeds still would not cover the company's liabilities. FNN reportedly had originally sought about \$150 million for the channel.

Amber Gordon, a spokeswoman for FNN, said the company "expects to file a bankruptcy proceeding" before completing the sale of the cable channel. FNN owes \$50 million to banks and \$88 million in leasing obligations.

Dow Jones, which has limited experience in television, had considered a purchase of FNN in the past, but many observers had concluded that the country's premier supplier of financial news had long missed the boat when it came to television.

Peter R. Kann, chief executive of Dow Jones, said FNN "clearly fits the Dow Jones strategy of providing the highest-quality business news and information however, wherever and whenever our customers wish to receive it."

A Dow Jones executive, who did not want to be identified, said the company "has thought long and hard about this investment and we are confident that, in partnership with Group W, we can make money on it."

The company produces the weekly Wall Street Journal Report, which is syndicated to 76 stations, and provides daily television news feeds to stations in Europe and Japan.

| Qty. | Bond | Cmt. | | | Bond | Cmt. | | |
|-------|-------------------|-------|---------|---------|----------------------|-------|---------|----------|
| | | Yield | Close | Chg. | | Yield | Close | Chg. |
| 1/8 | HudGn 7s11 | cv | 70 | .... | SCIHld 6zr95 | | 45 | .... |
| 1/2 | InstSy 12 1/2 97 | 15.6 | 80 | .... | Sanmk 12 7/8 01 | | 82 1/2 | .... |
| 1/2 | InlMk 7 3/8 07 | cv | 28 1/2 | - 2 1/8 | SvcMer 11 3/4 96 | 13.6 | 84 1/2 | + 1/2 |
| 2 | IntClr 14 1/2 06 | 45.3 | 32 | - 3 1/8 | SCE 8 7/8 00 | 8.7 | 101 1/2 | + 1/2 |
| 2 | JonesIn 13s00 | 17.6 | 74 | .... | SCE 9 5/8 03 | 9.4 | 102 1/2 | - 3/4 |
| 3 | Kogr 8.4s96 | 13.1 | 64 | + 4 | SwBell 18 3/4 07 | 8.9 | 90 1/2 | - 1/4 |
| 1 1/4 | Lynch 8s06 | cv | 76 1/2 | + 1 1/2 | SwBell 16 7/8 11 | 8.5 | 87 1/2 | - 3/8 |
| 1 | MagCop 16.7s98f | | 100 1/4 | - 1/8 | SwBell 7 3/8 12 | 8.6 | 85 1/2 | + 3/4 |
| 1 | MagCop 14 1/2 01 | 15.2 | 95 1/2 | - 1/2 | SwBell 18 1/4 14 | 8.8 | 94 | + 1 |
| 1/4 | MarkIV 7s11 | cv | 92 | .... | SwBell 9 1/4 15 | 9.2 | 101 | - 3/4 |
| 3/8 | Maxam 13 3/8 92 | 14.3 | 95 1/2 | + 1/8 | SwBell 18 1/2 16 | 8.9 | 95 1/2 | + 1 1/2 |
| ... | Maxam 12 1/2 99 | 15.0 | 80 3/8 | + 7/8 | SwBell 9 5/8 19 | 9.1 | 96 | - 1 |
| 1 | Maxam 16s00 | 17.2 | 93 | .... | Storer 10s03 | 16.0 | 62 1/2 | - 1/2 |
| 2 | Mediq 7 1/4 06 | cv | 43 | + 5 1/2 | TCast 17s99f | | 23 1/2 | .... |
| ... | Moog 9 7/8 06 | cv | 80 7/8 | .... | TmpTai 14s98f | | 38 1/2 | - 1 |
| 4 1/2 | Oakwd 7 1/2 01 | cv | 81 | + 1 1/2 | TurnBd 12s01 | 12.0 | 100 | .... |
| ... | OBrien 7 3/4 02 | cv | 115 | + 6 | TurnBd zr04 | | 29 1/2 | + 1/4 |
| 2 1/2 | OBrien 11s10 | cv | 109 | - 3 | USBknt 10 1/4 98 | 17.5 | 58 1/2 | + 1 |
| 2 | Oisten 7s13 | cv | 80 | - 1 | Viacml 15 1/2 06f | | 102 1/4 | + 1/4 |
| 1 1/2 | Openh 12 3/4 02 | 14.7 | 87 | + 1 | Wainoc 10 3/4 98 | 11.1 | 96 1/2 | + 1 1/2 |
| 3/8 | PlyGm 10s08f | cv | 65 | + 8 3/8 | Wang 7 3/4 08 | cv | 46 | - 3 3/4 |
| 1 1/2 | PrceC 13s96 | 144.4 | 9 | .... | Wang 9s09 | cv | 50 | + 3/4 |
| 2 1/2 | PSvEG 6s98 | 7.5 | 80 | + 1 | WstInv 8s08 | cv | 91 3/4 | - 3/4 |
| 3/8 | Pulte 8 1/2 08 | cv | 76 1/2 | .... | Wickes 12s94 | 14.0 | 86 | .... |
| 3 | RsrInt 6s94 | 14.1 | 42 1/2 | - 1/2 | Wickes 7 1/2 - 10s05 | | 15.6 | 48 - 1/2 |
| 2 | RsrInt 11s94 | 26.2 | 42 | - 2 | Wickes 11 7/8 01 | 18.8 | 63 | + 1 |
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Dow Jones nonetheless has approached TV gingerly. When Cable News Network was founded 10 years ago, for example, Dow Jones turned down Ted Turner's invitation to provide business news programming for the network, a decision some in the company have deeply regretted.

"Dow Jones has been interested in FNN for several years," said Mark Riely, a partner in the New York investment firm MacDonald Grippio Riely. "This gives them a video outlet, one which I'm sure they hope will have international opportunities in the long run."

Don Mitzner, president of Group W Satellite Communications, said each partner would appoint half of FNN's six-member board.

"Aside from the purchase price, we are going to have to put some money into it for working capital," Mitzner said. "But we don't have a handle on how much yet." For the fiscal year ended June 30, 1990, FNN reported a net loss of \$72.4 million on revenue of \$52.6 million.

The partnership beat out a handful of other bidders, including NBC, Walt Disney Co. and King World Productions.

The agreement most particularly is a blow to NBC, which analysts thought would have made a more aggressive bid to acquire its principle competitor. NBC owns the Consumer News and Business Channel, a financial and consumer news cable network in 17 million homes.

One source close to the transaction did not rule out another bid emerging, especially from NBC, perhaps within the next few days. "This is only an agreement in principle, not a done deal," the source said.

Westinghouse Broadcasting, a subsidiary of Westinghouse Electric, owns five TV stations and 20 radio stations. But in recent years, Westinghouse has de-emphasized its broadcasting interests in favor of expanding into the cable business.

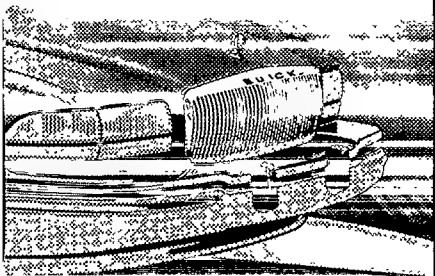
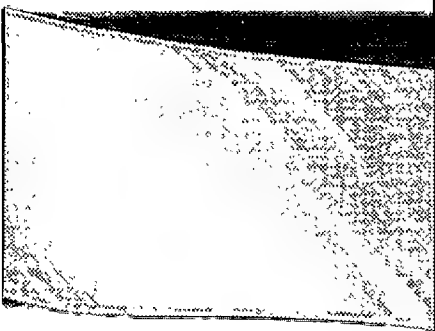
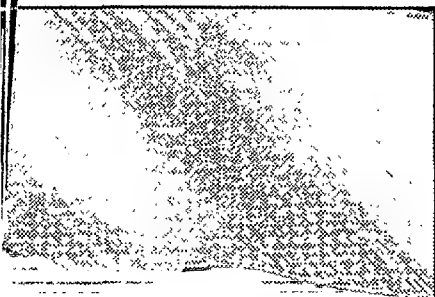
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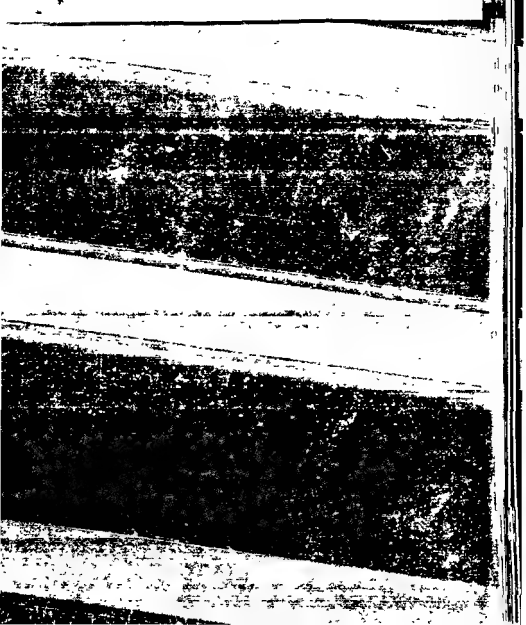
Westinghouse handles marketing for the Nashville Network in addition to owning one-third of cable channel Country Music Television. It has an interest in Home Team Sports, a sports channel in the Washington-Baltimore area, and recently acquired a stake in Prime Network, a consortium of regional sports networks.

FNN has 345 full-time employees and 160 part-timers in the production and programming area. Westinghouse is expected to retain some but not all of FNN's advertising, marketing and affiliate relations staff.

Although FNN contends that the cable channel is available in 35 million homes, some prospective buyers questioned the stability of the subscriber base. About 28 million of FNN's subscribers are full time, but 7 million subscribers do not receive the channel during prime time. Westinghouse's Mitzner acknowledged that rebuilding the subscriber base is a priority, even though the cable industry is going through a sluggish time because of the recession.

The purchase of FNN by Dow Jones and Westinghouse ends five months of turmoil that began last October, when the company disclosed financial irregularities that resulted in big losses and later defaulting on its bank loans.

Staff writer Victor F. Zonana in New York contributed to this story.



1991

IND IT.

TORRANCE

Bay Buick (213) 370-6383

VALENCIA

Crossroads Buick (805) 253-1234

VAN NUYS

Valley Motor Center (213) 550-8700

WEST COVINA

Reynolds Buick (818) 966-4461

WESTMINSTER

Mike McCarthy Buick (714) 894-3341

WHITTIER

Ben Niemi Buick (213) 693-7717

WILMINGTON

Good Buick (213) 549-1222

(Mount Clipping in Space Below)

WEDNESDAY, FEBRUARY 13, 1991

FNN will sell media operations

Deal may force firm to file Chapter 11

By Cyndia Zwahlen
Daily News Staff Writer

Financially troubled Financial News Network Inc. announced Tuesday that it has agreed to sell its business news cable television operations to a joint venture owned by Dow Jones & Co. Inc. and Westinghouse Broadcasting Co. Inc.

FNN did not disclose the sale price, but indicated it would be less than its estimated \$140 million in liabilities. That is expected to force the company to seek protection under Chapter 11 of the U.S. bankruptcy laws, according to a company spokeswoman.

"FNN does expect to file bankruptcy proceedings in order to effect the sales transaction," said FNN spokeswoman Amber Gordon. She would not comment on the timing or sequence of events.

The deal is subject to the signing of a definitive agreement, approval by the FNN board, and antitrust clearance by the Federal Trade Commission.

The sale includes the syndicated television program, "This Morning's Business" and a business radio show. FNN's 51 percent stake in The Learning Channel cable network is not included. Final approvals should be completed within 90 days, the company said.

Gordon said it was too soon to tell how a bankruptcy filing would affect the company's 300 or so Los Angeles employees.

FNN, which was put on the auction block in November, is 46 percent owned by Infotechnology Inc., which also owns 97 percent of the troubled United Press International wire service. The deal has no effect on UPI, which also is up for sale.

Dow Jones, which owns the Wall Street Journal, had been considered a likely buyer, along with NBC and Paramount Pictures.

Begun in November 1981, FNN is seen on 3,500 cable systems and reaches about 35 million households.

The joint venture is expected to expand FNN's current 60 percent share of U.S. cable viewers, according to Mark Riely, a principal with MacDonald Grippio

See **NETWORK** / Pg. 2

(Indicate page, name of newspaper, city and state.)

Daily News
Los Angeles, CA

Date: 2/13/91
Edition:

AM
BUSINESS Pg 1

Title:

FNN will sell media operations

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

Dow Jones, Westinghouse to buy FNN media unit

NETWORK / From Page 1

Riely in New York. Dow Jones now produces a syndicated TV show called "Wall Street Journal Report," and daily television reports for use in Europe and Japan.

"A joint venture makes sense because Westinghouse knows television marketing and sales, while Dow Jones can contribute its news gathering and editorial capabilities," said James Goss, an analyst with Duff & Phelps in Chicago.

The joint venture has agreed to manage the company along with FNN until the deal closes. The partnership did not specify any

plans for the cable network.

News of the relatively low sale price pushed FNN stock down 1% to close Tuesday at 3/8. Because the sale is not expected to cover the company's liabilities, there would likely be nothing left to pay out to shareholders, analysts said.

FNN stock had run up to \$3 a share on anticipation of the sale, said Lorraine Maxfield, an analyst at Paulson Capital Corp. in Portland, Ore.

The company reported a loss of \$72.4 million for the year ended June 30. It has yet to file its financial statements for the three months ended Sept. 31.

29B-LA-115702-27

| | |
|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| FBI - LOS ANGELES | |

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 2/15/91

From : SA [REDACTED]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

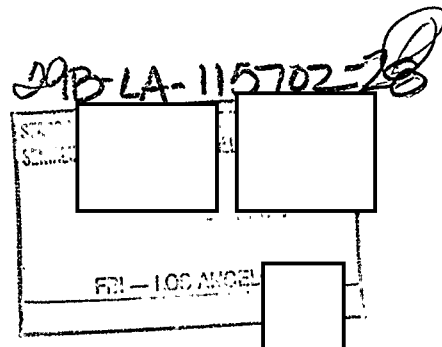


FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

Officials of SECURITY PACIFIC NATIONAL BANK (SPNB) advised that TELEVISION CABLE COMPANY, FINANCIAL NEWS NETWORK (FNN) has been experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to SPNB and TORONTO DOMINION BANK.

Los Angeles has received information that the Los Angeles based FNN financial statements submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets and lease commitments.

The SECURITIES AND EXCHANGE COMMISSION (SEC), Washington, D. C., has also initiated an investigation regarding possible securities violations. On 2/20/91, the SEC is scheduled to depose [REDACTED] regarding his involvement with captioned subjects. [REDACTED] was responsible for setting up off shore bank accounts on behalf of FNN related parties to help inflate fictitious receivables on the financial statements of FNN.



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29B-LA-115702

Due to the fact that [REDACTED]
and does not frequent the U. S. often, AUSA [REDACTED] has
requested that SA [REDACTED] attempt to interview [REDACTED] during his
stay in Washington, D. C. Los Angeles will be coordinating this
interview with [REDACTED] Attorney, SEC. [REDACTED]
[REDACTED]

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/4/91

On February 20, 1991, [REDACTED]

[REDACTED] telephone [REDACTED] was served with a Federal Grand Jury subpoena commencing [REDACTED] presence before the Los Angeles Federal Grand Jury on [REDACTED] advised Special Agent [REDACTED] that he would appear in Los Angeles at the United States Attorney's Office of [REDACTED] on that date. [REDACTED] further advised that he would agree to an interview by FBI, Los Angeles and [REDACTED] Los Angeles at that time.

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b7EInvestigation on 2/20/91 at Washington, D. C. File # 29B-LA-115702-29by SA [REDACTED] Date dictated 2/25/91b6
b7C

(Mount Clipping in Space Below)

FNN Files for Bankruptcy: Financial News Network Inc. filed for protection from creditors under Chapter 11 of federal bankruptcy law in New York bankruptcy court. In its petition, which had been expected, FNN listed assets of \$75.5 million, liabilities of \$145.4 million and secured debt of \$49.5 million. On Feb. 26, FNN announced that NBC had signed a definitive agreement to buy it for \$105.5 million. FNN said it expects to complete the sale within 60 days.

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 3/2/91

Edition:

AM

Business Section D2

Title:

FNN FILES FOR BANKRUPTCY

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-30

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Stolen Software Scattered

Affidavits Allege Sales
To Iraqis And Israelis

By Phil Linsalata
Of the Post-Dispatch Staff
©1991, St. Louis Post-Dispatch

Software that a federal bankruptcy judge says the Justice Department stole has been sold illegally to the governments of Israel and Iraq, according to documents filed Monday in federal court.

Canada is also illegally using the software in some 900 locations, the documents say.

The software, called Promus, was developed by Inslaw, a company based in Washington and owned by St. Louis natives William and Nancy Hamilton. It is used by law enforcement agencies to track cases and criminals.

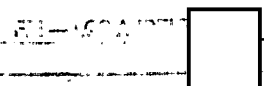
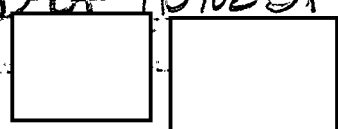
The Hamiltons began a legal battle with the Justice Department eight years ago, when the agency stopped payment on a \$10 million contract to modernize its case management.

The Hamiltons contended that their software was stolen by the U.S. government while Ronald Reagan was president. In a trial, Bankruptcy Judge George F. Bason Jr. found that

See SOFTWARE, Page 9

FYI

29B-LA-16702-31



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Colorful Characters, Prized Product Lend Spice To Case

By Phil Linsalata

Of the Post-Dispatch Staff

Inslaw's case against the Department of Justice brings together a cast of colorful, diverse characters and a widely used software product. This is a look at two of the leading characters.

Ari Ben-Menashe

Ben-Menashe, 39, had a 12-year career with the Israeli government. During much of the 1980s he traveled the world to arrange the purchase of weapons for resale in accordance with Israeli policies.

He says that shifting political winds brought a job change in 1987, when he began a two-year

intelligence stint within the prime minister's office. He said that one of his last assignments there came in 1989 when he was asked to try to stop Carlos Cardoen's Chilean company from selling chemical arms to its main customer, Iraq. "I failed," Ben-Menashe said of that mission.

Shortly after, he was indicted by the United States on charges of conspiring to sell transport planes to Iran. His trial in U.S. District Court in Manhattan ended in acquittal last year.

Earl Brian

Brian is a businessman whose resume lists large stakes in Financial News Network and United Press International. His connection to

Promis software was first alleged in court records in which William Hamilton and his wife, Nancy Hamilton, recalled an aggressive buyout offer from Hadron Inc., a subsidiary of Infotechnology, a holding company owned by Brian.

Brian's attorney, Larry Hirsch, said Monday that claims by the Hamiltons against his client had been "absolutely false," from the first court record to the last.

Brian's more distant past includes a close relationship with former president Ronald Reagan. When Reagan was governor of California, Brian served as secretary of Health and Welfare.

His political ties surfaced again after Reagan nominated Edwin Meese III as attorney general. The investigation of an independent counsel dis-

closed that Meese had failed to report his wife's investment in two companies controlled by Brian and had failed to report a \$15,000 loan from a subordinate who was a close friend of Brian.

Promis Software

Inslaw's Promis software is indispensable in law enforcement circles. The software is used by federal prosecutors, by the city of New York and by Cook County, Illinois.

"Promis can be used as a professional workflow tracking system," Hamilton said. "It can support any kind of investigative activity, including law-enforcement investigations and, evidently, intelligence-operations investigations."

Software

From page one

Justice officials had stolen the software from the Hamiltons "through trickery, fraud and deceit."

Affidavits filed Monday suggest that the matter did not stop with the theft.

In one, former Israeli intelligence officer Ari Ben-Menashe said he was present when a close associate of Inslaw peddled the software first to Israeli intelligence and later, through a middleman, to Iraqi intelligence.

The associate is Dr. Earl W. Brian, a principal of two financially troubled companies, United Press International and Financial News Network. Brian held a Cabinet-level position in California when Reagan was governor there.

When the Hamiltons' company was under financial pressure as a result of the dispute with the Justice Department, a company controlled by Brian offered to buy Inslaw. Hamilton refused, and the Justice Department mounted an effort to force Inslaw into liquidation, according to court records. The effort failed, and Inslaw is seeking damages from the government.

Ben-Menashe's affidavit, filed in U.S. Bankruptcy Court for the District of Columbia, states:

"In January 1989, as a Special Consultant for Intelligence Affairs in the Israeli Prime Minister's Office, Ben-Menashe was told by Chilean

arms manufacturer Carlos Cardoen that he had "brokered a deal" between Brian and "a representative of Iraqi Military Intelligence" for the use of the Promis computer software. The deal was consummated in Santiago, Chile, where Cardoen's company, Industrias Cardoen S.A., has its headquarters. Until recently, Iraq was that company's biggest customer.

"In 1987, Ben-Menashe attended a meeting at the headquarters of the Israeli Defense Forces where Brian declared that the software was in use in the United States by the CIA, the National Security Agency, the Defense Intelligence Agency and the U.S. Department of Justice. Only the Justice Department is authorized by the court to use the software."

"Brian, as a private businessman, said he had acquired the property rights to the software and consummated a sale to Israel in 1987, although he had allowed its use by the Israeli intelligence forces for as many as five years before the actual sale."

Reached Monday at his home in Oxford, Md., Brian called the allegations "nonsense." He said he had never been to Santiago or Tel Aviv and did not know of Cardoen or Ben-Menashe. He said that until reading press accounts, he had never heard of the Hamiltons, Inslaw or Promis software.

Cardoen's attorney in the United States, Abbey Kaplan of Miami, said Ben-Menashe's affidavit "sounds like misinformation, designed to have people go in one direction in order to serve someone's purpose."

A second affidavit charges that the Canadian federal government is using Promis in 900 unauthorized installations, all within a single agency.

This surfaced after an arm of the Canadian government surveyed all federal offices to develop an inventory of software and whether it could function in both French and English. The survey found Inslaw's Promis software, and the survey team then questioned the Hamiltons as to whether it could support use in French.

To learn more, the Hamiltons sent their daughter, Patricia Hamilton, an Inslaw sales representative, to Montreal. In an affidavit filed Monday, she said that Canadian officials confirmed that the software was in use there. But the survey records do not show which agency has the software. Nor do they show who provided it.

Dennis Lachance, manager of the bilingual research project, confirmed in a telephone interview Monday the use of Promis. He said he was working to trace the use to a specific agency.

William Hamilton said the affidavits filed Monday explained the "desperate efforts" of Attorney General Richard Thornburgh and his predecessor, Edwin Meese, to deny the validity of court rulings favorable to Inslaw.

"The new evidence," Hamilton said, "strongly suggests that the U.S. Government not only stole Inslaw's Promis software for its own use in law enforcement and intelligence agencies, but also was involved in the sale of the software to foreign governments."

Although the Hamiltons won in trial before the

bankruptcy court and were upheld on appeal in U.S. District Court, the Justice Department has appealed anew before the U.S. Court of Appeals.

During this process, a court-ordered stay bars the Justice Department's use or distribution of the Promis software beyond the offices where the software was in use when the dispute first arose.

The affidavits filed Monday were in support of a brief seeking new subpoena powers to gather evidence in support of the Hamiltons' claim that the Justice Department has violated the stay by distributing the software.

As the Hamiltons press their case in the courts, the Judiciary Committee of the House of Representatives is investigating the case in preparation for future hearings.

Among those deposed is Charles Hayes, operator of a government-materials salvage company in a rural area near Nancy, Ky. In a recent interview, Hayes said he told the Judiciary investigators that Canada and Israel had the software.

Hayes said he told the investigators that he had learned of Israeli possession from sources in the Mossad, an Israeli intelligence agency.

Hayes said that while under oath, he told the investigators that the software had been given to Canada by an individual "high in the Justice Department."

Hamilton said that sources had told him of more than a dozen foreign governments that got Promis through people connected with the U.S. government.

Memorandum

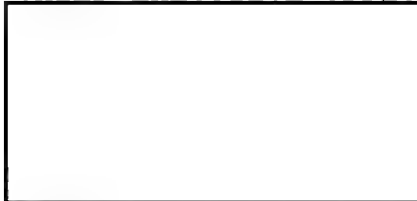


To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 3/18/91

From : SA [REDACTED]

b6
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Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

On 2/20/91, SA [REDACTED] met with [REDACTED]

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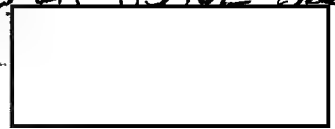
[REDACTED] SECURITIES EXCHANGE COMMISSION
(SEC), and [REDACTED] Senior Attorney, SEC, 450 Fifth
Street, N.W., Washington, D.C., telephone [REDACTED] at the
offices of SEC regarding the above captioned matter.

[REDACTED] advised that SEC was in the process of deposing
[REDACTED] AMS LIMITED, [REDACTED]
[REDACTED] discussed with SA
[REDACTED] the contents of SEC's deposition of [REDACTED] It was
discussed that FBI, Los Angeles and [REDACTED] Los Angeles were
desirous of interviewing [REDACTED] regarding the same documents
and subjects SEC was deposing [REDACTED] about. Since [REDACTED] was
under oath during his deposition by SEC, SA [REDACTED] advised [REDACTED]
that it was not necessary for [REDACTED] to be interviewed by FBI,
Los Angeles at this time. [REDACTED] will send SA [REDACTED] a copy of
[REDACTED] deposition in approximately ten days. Upon reviewing
[REDACTED] deposition, SA [REDACTED] will determine whether an
interview of [REDACTED] is necessary at this time.

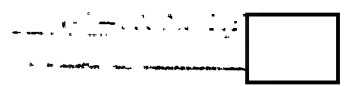
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[Handwritten signature]

29B-LA-115702-32



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Communications
Canada

Communications
Canada

Centre canadien de recherche sur
l'informatisation du travail

Canadian Workplace Automation
Research Centre

Your file Votre référence

Our file Notre référence

January 8, 1991

Inslaw Inc.

1125 15th St #300
Washington, 20005
DC

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b7C

Dear Madam:

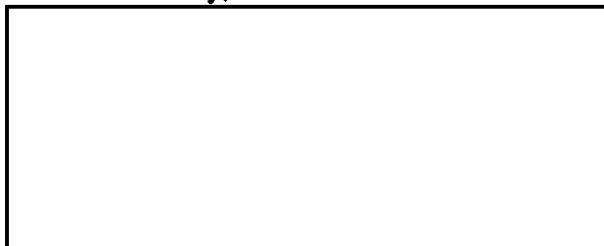
The Canadian Workplace Automation Research Centre (CWARC) has been named by the Treasury Board of Canada as the official focal point for all information pertaining to hardware and software that can be operated in either or both of the official languages in Canada.

CWARC is aware that your company's software products are being used in federal departments and agencies. This is why we would appreciate your help in obtaining accurate information on these products.

Your cooperation in providing the information requested will allow us to build a product file that can be accessed by those interested in acquiring new software and updating their office systems. Please complete and return the questionnaire as soon as possible. We would appreciate receiving your reply on or before January 22, 1991.

Your contribution to this survey will be most appreciated.

Yours sincerely,



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External Collaboration

P.S. Any questions on this should be directed to either [redacted]
[redacted] By FAX at (514) 686-1990

351

Canada

1575 boul. Char
Laval, Qué
H7V 2X2
(514) 682-3400

January 8, 1991

Inslaw Inc.

c/o

1125 15th St #300

Washington, DC

20005

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Dear Madam,

Please find enclosed a list of products from your firm that are currently in use in the federal government departments and agencies :

PROMIS

We have included 2 forms. Please fill a form for each product. You may photocopy the provided blank to report any unlisted product that you would like to bring to our attention. Please complete and return the questionnaires in the preaddressed envelope as soon as possible. We would appreciate receiving your reply on or before January 22, 1991.

We thank you for your patience and cooperation.

Communications Canada
The Canadian Workplace Automation Research Centre

SURVEY OF SOFTWARE IN USE

INTRODUCTION AND INSTRUCTIONS

The Canadian Workplace Automation Research Centre (CWARC) has been named by the Treasury Board (federal) as the focal point for the exchange of information on hardware and software that can be operated in French, English or both. This information will be made available to federal departments and agencies thereby facilitating the identification and acquisition of items supporting office systems in both official languages.

This survey will enable the Centre to build a data base on these topics. We are particularly interested in software products that support both official languages independently or in addition to one another. Blank forms are provided with the package. Please, use them to identify all additional products that you may have that support the use of the French language, in particular. Make as many copies of these blank forms as needed and return them all, once filled, to the following address:

Canadian Workplace Automation Research Centre
c/o Mr. Marcel Simoneau
1575 Chomedey Blvd.
Laval, Quebec
H7V 2X2
Fax : (514) 686-1990

You may send us copies of your catalogs, promotional literature, demo packages, etc. that we could use or make available to our clientele in the federal government.

Should you have any questions on this, or require further information, you may call

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We thank you for your patience and cooperation.

PRODUCT INFORMATION

1. Product identification

NAME OF PRODUCT : _____

- 1.1 What is the function of this software product ? What type is it ? (eg. system software, DBMS, office automation, accounting, connectivity, etc.).

- 1.2 Hardware needed to run it : _____

- 1.3 Operating System needed : _____

- 1.4 Minimum RAM needed : _____

- 1.5 Minimum Disk Storage Needed : _____

- 1.6 Does the software product require some specialized environment, configuration ?

No : ☐

Yes, please specify : _____

- 1.7 Does the software exist in, work in and support either one or both official languages ?

| | Yes | No |
|----------|-----|----|
| English | | |
| French | | |
| Others : | | |
| | | |

2. Available Versions

| | Current English Version | Current French Version |
|-------------------------------|-------------------------|------------------------|
| Title : | | |
| Version Number : | | |
| Release Date : | | |
| Date of last update : | | |
| Suggested Unit Retail Price : | \$ | \$ |

This product was ORIGINALLY developed in English ☐
 the French version was adapted from the English version : ☐
 the French version was translated : ☐

This product was ORIGINALLY developed in French ☐
 the English version was adapted from the French one : ☐
 the English version was translated : ☐

This product was ORIGINALLY developed in another language ☐
 please specify : _____

3. Does this product meet the listed characteristics ?

French and Other Special Accented Characters

| | Yes | No | Being considered |
|---|-----|----|------------------|
| Input and output of either French or English data are possible in the normal use of the software product. | | | |
| The product retain accented characters through input, internal processing and output | | | |
| Help screens and help messages are available in either French and English (with accented characters) | | | |

User Assistance

The currently sold French version of the product, has the following features :

| | Yes | No | Being considered |
|---|-----|----|------------------|
| French Manuals and Documentation Material | | | |
| French Menus and user commands | | | |
| Full set of French messages | | | |
| Help Module in French | | | |
| Tutorial in French | | | |
| After Sale User Support in French | | | |

4. If a French version and an English version of the software exist, are new releases of both versions issued at the same time ?

- Yes : ☐
No : ☐
Being Considered : ☐
Doesn't apply : ☐

5. French character sets and their processing

5.1 Does the French version of this software product rely on a special (other than 7-bit ASCII) character set for the processing of French data ?

Yes, please specify : _____

No : ☐

5.2 Does this software product allow the user to install his/her own special character set for the processing of French data ?

Yes : ☐

No : ☐

5.3 To what extent are the following character sets supported by this product ?

| Character Sets | Functions | | | |
|-----------------------------------|-----------|---------|------------|--------------|
| | Storage | Sorting | Processing | Installation |
| IBM Extended (ASCII) | | | | |
| CP 437 (USA) | | | | |
| CP 850 (Multilingual) | | | | |
| CP 863 (French Canada) | | | | |
| ISO 8859-1 (Latin Alphabet No. 1) | | | | |
| ANSI | | | | |
| Others : | | | | |
| | | | | |

6. Sale and Pricing Policy**6.1 General :**

| | Suggested price : |
|-----------------------------------|-------------------|
| Single licence : | \$ _____ |
| Discount for bulk purchases : | % _____ |
| Site licences after ____ copies : | \$ _____ |
| Other policy : _____ | \$ _____ |

6.2 LAN versions :

| | Suggested price : |
|---------------------------------------|-------------------|
| Multipac licence : 6 or less copies : | \$ _____ |
| 7-12 : | \$ _____ |
| 13 and more : | \$ _____ |
| Unlimited licence : | \$ _____ |
| Other policy : _____ | \$ _____ |

6.3 On a workstation that is time-shared by several employees, French and English, your present policy would require :

- | | Suggested price : |
|---|-------------------|
| <input type="checkbox"/> full price purchase of one English licence <u>and</u> one French licence : | \$ _____ |
| <input type="checkbox"/> full price purchase of one of both versions with a discount for the second version : | \$ _____ |
| <input type="checkbox"/> there exists a BILINGUAL version (one licence) : | \$ _____ |
| <input type="checkbox"/> Other policy, please specify : _____ | |

Thanks for your collaboration.

Please return this questionnaire in the pre-addressed envelope.

Filled by : _____
Phone : _____



U.S. Department of Justice

Federal Bureau of Investigation

Washington, D. C. 20535

February 11, 1991

[Redacted]
Government Sales Consultants, Inc.
1144B Walker Road
Great Falls, Virginia 22066

Dear [Redacted]

I am responding to your letter of February 5, 1991, to me and one of the same date to Director Sessions.

Following my earlier communication, written in response to your January 9, 1991 request, I became aware of your interest in Bankruptcy Case Number 85-00070, Inslaw, Inc., Debtor, now pending before the United States Bankruptcy Court for the District of Columbia. I have conferred with the government's attorney handling that action and consider that court the appropriate forum for adjudicating the issues between the proper parties.

Sincerely yours,

Kier T. Boyd
Deputy Assistant Director
Technical Services Division

b6
b7C

**Government Sales Consultants, Inc.**

1144B Walker Road, Great Falls, Virginia 22066
703-759-7216

February 5, 1991

Mr. William Sessions
Director
Federal Bureau of Investigation
9th and Pennsylvania Avenue N.W.
Washington, DC 20535

Dear Sir:

As a result of my recent letter stating my concerns that the FBI was in possession of stolen software in the FOIMS system I received the following letter.

The letter is very defensive and demands a description of the victim, my relationship to the victim, the produce and the thief, if any.

All in all I am not relieved or persuaded that an independent assessment will be made since this person obviously is in charge of the product allegedly stolen.

As you can see from my recent letter to him the matter can be easily resolved. I would appreciate your personal attention and intervention.

Sincerely,



TDM/bg
Enclosure

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b7c

**Government Sales Consultants, Inc.**

1144B Walker Road, Great Falls, Virginia 22066
703-759-7216

February 5, 1991

Mr. Kier T. Boyd
Deputy Assistant Director
Technical Services Division
Federal Bureau of Investigation
9th and Pennsylvania Avenue N.W.
Washington, DC 20535

Dear Sir:

I find your letter quite defensive and since you are obviously the person in possession of the software it hardly seems to be an independent and appropriate point of contact on this matter.

However, if you will send me a tape of the software for FOIMS I can quickly ascertain the truth of the allegation. Bear in mind that I can easily get any public domain software under the provisions of the FOIA and I have previously done so.

Sincerely,



TDM/bg
Enclosure

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Mount Clipping in Space Below

Date 4/4/91
Edition LAS VEGAS TIMES

Title

Character
or
Classification
Submitting Office

Indexing

Judge Accepts NBC's Bid for Troubled FNN

By JOHN LIPPMAN
TIMES STAFF WRITER

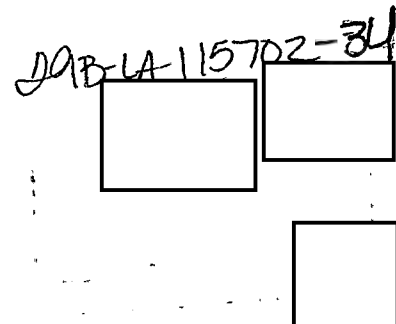
A federal bankruptcy judge Wednesday accepted NBC's sweetened \$115-million bid to acquire the troubled Financial News Network, rejecting a competing offer made by a joint venture of Dow Jones & Co. and Westinghouse Electric Co.

U.S. Bankruptcy Court Judge Francis G. Conrad said he would not accept the Dow Jones-Westinghouse bid, also worth \$115 million, because it did not follow rules he established for competitive bids.

The decision is not final because it is still subject to a Federal Trade Commission antitrust review. Nonetheless, it is a setback for the Dow Jones-Westinghouse partnership, which has been repeatedly stymied in its attempt to gain control of the ailing cable TV network.

In a packed New York courtroom ringed by attorneys for both parties, NBC raised its bid to match the partnership's \$115-million offer. But the judge disqualified the partnership's bid because it expired Wednesday and NBC's bid does not expire until May 31.

Conrad had previously ruled that any
Please see FNN, D5



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FNN: NBC Rebuffs Antitrust Concerns

Continued from D1

competing bid for FNN had to be identical to NBC's terms except for the price. NBC officials said they raised their purchase price for FNN to satisfy creditor concerns that the judge had disqualified a better offer.

Officials at Dow Jones and Westinghouse, however, expressed confidence that the FTC will rule that NBC's bid violates antitrust rules. The FTC has said it will decide the case by April 19. If it rules against NBC, then the case will be fought in the same U.S. Bankruptcy Court that favored the network Wednesday.

The battle for FNN is the latest twist in the cable channel's turbulent history. FNN's troubles began last fall after a series of damaging financial disclosures resulted in FNN and its parent company, Infotechnology Inc., filing for bankruptcy.

A new management team brought in late last year put FNN and Infotechnology's other assets, including 97% ownership of United Press International, up for sale.

NBC owns the Consumer News and Business Channel, a business news cable TV channel available in 18 million households. The network reached a definitive agreement in February to purchase FNN for \$105 million and plans to merge it with CNBC. That deal topped a previous \$90-million bid from the Dow Jones-Westinghouse partnership.

But on March 20, the partnership came back with a revised offer of \$115 million. Subsequently, 15 state attorneys general filed a peti-

tion asking the Bankruptcy Court to reject the network's bid on antitrust grounds.

Tom Rogers, president of NBC Cable, dismissed claims that NBC's bid for FNN violated antitrust rules.

"The fact that you go from two to one channels means absolutely nothing," he said. "The issue is how highly competitive the marketplace is already. We compete among all kinds of services for

access to cable systems and advertising."

All sides in the tug-of-war over FNN rejected the suggestion that they put aside their fight and agree jointly to operate and own a combined business news cable channel. Although such a venture would reduce each of the partners' risk in the still unprofitable channels, they have said they were not interested in a three-way partnership.

(Mount Clipping in Space Below)

FNN sale approved by judge

Rival network CNBC offers \$115 million

By Skip Wollenberg
Associated Press

NEW YORK — NBC's Consumer News and Business Channel moved closer Wednesday toward acquiring its chief cable television rival, the troubled Financial News Network, with a sweetened \$115 million offer.

Judge Francis G. Conrad of U.S. Bankruptcy Court accepted CNBC's cash bid at a three-hour hearing where he refused to consider a competing \$115 million offer from a partnership of Dow Jones & Co. and Westinghouse Broadcasting Co.

The Dow Jones partnership set conditions on how long its bid would remain open and the judge found that unacceptable under the ground rules he had set last month for the asset auction.

The judge, who normally presides in Vermont, compared the session he was running to an "old fashioned Vermont auction" where no one gets "to negotiate with the auctioneer."

Final approval of the CNBC deal, however, hinges on anti-trust clearance.

The Federal Trade Commission is studying whether CNBC's stated plans to merge the CNBC and FNN services into a single network are legal. It expects to complete an investigation by April 19.

Dow Jones-Westinghouse executives were not ready to capitulate, saying they feel there are antitrust problems with the sale to CNBC. "It's far from over," said Peter Skinner, Dow Jones senior vice president. "We are still intent on acquiring FNN."

The judge was clearly eager to end the suspense over the fate of the business news network, whose parent, Financial News Network Inc., filed for bankruptcy court protection on March 1 listing total liabilities that were nearly double its listed assets.

He noted the irony of the financial problems facing a media company that is supposed to report knowledgeably on financial news and said the uncertainty about its future makes it a "wasting asset."

(Indicate page, name of newspaper, city and state.)

Page 1

Date: 4/14/91

Edition: The Daily News AM
Los Angeles, CA

Title: FNN SALE APPROVED
BY JUDGE

Character: 29B-LA-115702

or
Classification:

Submitting Office: Los Angeles

Indexing:

29B-LA-115702-35

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FILED

FBI - LOS ANGELES

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 4/9/91

From : SA [redacted]

b6
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Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

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On 4/4/91, SA [redacted] met with SA [redacted]

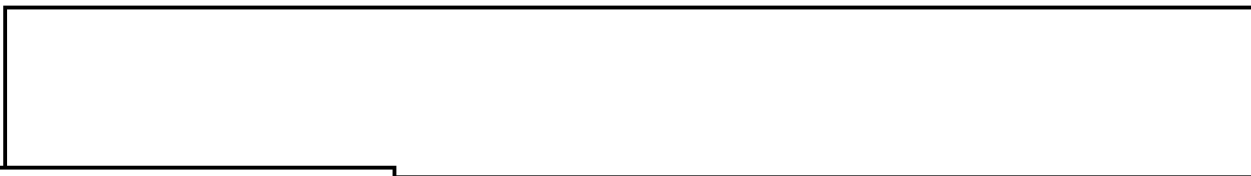
[redacted] and AUSA [redacted]
regarding the above captioned matter.

AUSA [redacted]

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AUSA [redacted] then telephonically contacted [redacted]
[redacted] Attorney, SEC. [redacted] provided the following
information:

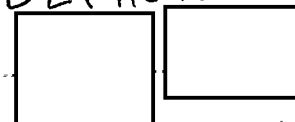
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29B-LA-115702-310



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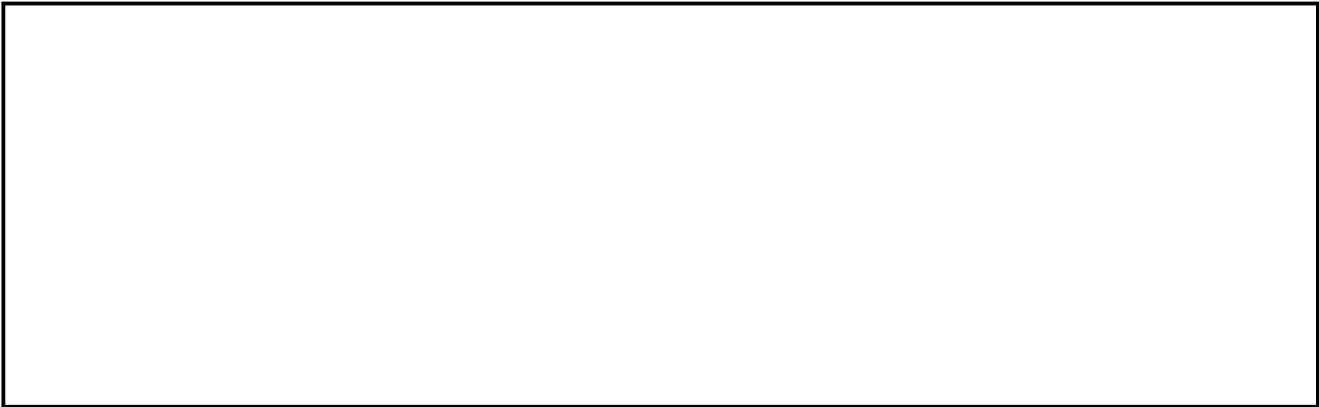


29B-LA-115702



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The following investigative plan was then discussed:



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(Mount Clipping in Space Below)

LOS ANGELES TIMES

Losing Partners Appeal Ruling on FNN Sale

■ **Court:** Dow Jones & Co. and Group W Satellite Communications are fighting a judgment that disqualified their bid for the cable channel.

From Dow Jones News Service

NEW YORK—Dow Jones & Co. and Group W Satellite Communications filed an appeal of last week's disqualification by a U.S. Bankruptcy Court judge of their \$115-million joint bid to acquire Financial News Network Inc.

The appeal was expected.

Separately, the Federal Trade Commission filed an appeal of a U.S. Bankruptcy Court judge's ruling that any litigation, including a possible antitrust suit involving the pending FNN acquisition, must go through the bankruptcy court.

On April 3, NBC's Consumer News & Business Channel emerged as the apparent winner in the battle to acquire FNN, a 24-hour all-business cable channel and CNBC's only competition. U.S. Bankruptcy Court Judge Francis G. Conrad disqualified the Dow Jones-Group W partnership bid of \$115 million after the companies refused to keep their bid open until May 31, the deadline for CNBC's \$105-million bid.

CNBC raised its bid by \$10 million after an attorney for FNN's unsecured creditors protested to Judge Conrad that an auction for FNN, which filed for bankruptcy-law protection March 3, should be held.

The 20-page appeal by the Dow Jones-Group W partnership's attorney, antitrust specialist David Boies, asked the U.S. District Court for a decision of its "emergency motion." A hearing is expected on or before April 16. Group W Satellite Communications is a unit of Westinghouse Electric Corp.

The FTC is conducting an anti-trust investigation into the acquisition of FNN by CNBC, a unit of General Electric Co.'s National Broadcasting Co. subsidiary. Ron Rowe, director of litigation for the FTC's Bureau of Competition, said the commission wouldn't comment beyond the appeal. FNN has agreed not to complete the deal until April 19, the previously announced completion date of the FTC investigation.

In the FTC motion, the agency noted Judge Conrad's comments that the FTC could appeal his ruling "if you don't like it." The motion said that Conrad's ruling on jurisdiction will "unless reversed, severely restrict the ability of the FTC to carry out its congressional mandate to enforce the federal antitrust laws in both this case and future cases."

A spokesman for NBC declined comment. A spokeswoman for FNN decline comment.

A Dow Jones spokesman said the company doesn't comment on its own appeals.

(Indicate page, name of newspaper, city and state.)

The Los Angeles Times
Los Angeles, CA

Date: 4/10/91

Edition: AM

Title: LOSING PARTNERS
APPEAL RULING ON
FNN SALE

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-37

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| FBI - LOS ANGELES | |
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(Mount Clipping in Space Below)

FNN-CNBC Antitrust Probe Ends: The Federal Trade Commission closed an antitrust investigation of the proposed acquisition of Financial News Network by its main rival without filing any objections to such a deal. But the outcome of the fight for control of FNN remained in doubt. A bankruptcy judge had accepted a \$115-million offer for FNN from NBC's rival Consumer News and Business Channel, and disqualified a competing bid from a partnership of Dow Jones & Co. Inc. and Westinghouse Broadcasting Co. On Wednesday, a federal court overturned that ruling and ordered the bankruptcy court to consider both bids.

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 4/19/81

Edition: AM

Pg D-2

Title:

FNN-CNBC Antitrust Probe
Ends

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

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29B-LA-115702-39

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| SERIALIZED | | |
| FBI - LOS ANGELES | | |

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(Mount Clipping in Space Below)

NBC Appeals FNN Decision: NBC's Consumer News and Business Channel appealed a ruling that may threaten its effort to acquire Financial News Network. A federal judge overturned a bankruptcy judge's disqualification of a rival bid for the network. CNBC filed an appeal of the latest ruling in the U.S. 2nd Circuit Court of Appeals. NBC has been in a bidding war and legal skirmish with a partnership formed by Dow Jones & Co. and Westinghouse Broadcasting Co. to acquire the financially troubled cable TV business news channel.

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 4/22/91

Edition:

AM

pg D2

Title: NBC Appeals FNN
Decision

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

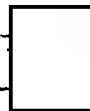
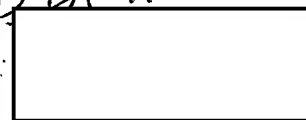
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29B-LA-115702-40

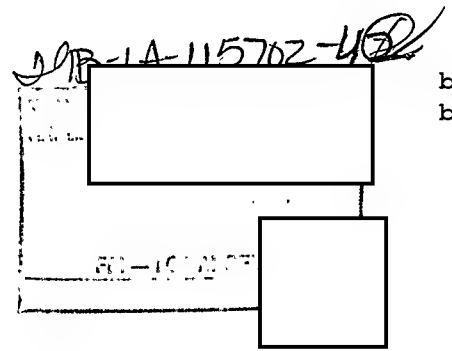
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| SERIALIZED | FILED |
| FBI - LOS ANGELES | |

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(Mount Clipping in Space Below)

Court dismisses NBC appeal on FNN bid: A federal appeals court in New York Tuesday dismissed the National Broadcasting Co.'s appeal of a lower court's ruling in its bid for the business news cable television channel Financial News Network. The ruling appears to set the stage for an auction in federal bankruptcy court to see whether NBC or a rival bidder will acquire FNN. NBC's Consumer News and Business Channel had scored an apparent victory April 3 when a U.S. Bankruptcy Court accepted its \$115 million bid for FNN and disqualified a competing \$115 million bid from a partnership led by Dow Jones & Co. But the Dow Jones group appealed the bankruptcy court decision to the district court, which ruled that the bankruptcy court was wrong and ordered it to conduct another hearing.

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 5/11/91

Edition:

AM

Pg 1

Title:

COURT DISMISSES NBC
APPEAL ON FNN BID

Character:

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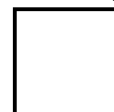
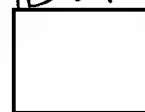
Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-44



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(Mount Clipping in Space Below)

CNBC Appeal of FNN Ruling Dismissed: A federal appeals court panel dismissed the National Broadcasting Co.'s appeal of an unfavorable ruling in its bid for the business news cable television channel Financial News Network. The decision by the three-judge panel of the U.S. 2nd Circuit Court of Appeals appears to set the stage for an auction in federal bankruptcy court to see whether NBC or a rival bidder will acquire FNN. FNN's parent, Financial News Network Inc., sought protection from creditors under Chapter 11 of the U.S. Bankruptcy Act on March 1.

(Indicate page, name of newspaper, city and state.)

The Daily News
Los Angeles, CA

Date: 5/11/91

Edition:

AM Page 2

Title:

CNBC APPEAL OF FNN
RULING DISMISSED

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

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29B-LA-115702-45

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 5/6/91

From : SA [redacted]

b6
b7C

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

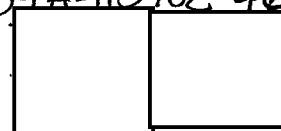
SA [redacted] has been instructed by SSA [redacted] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date.

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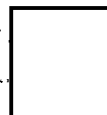
- 2 - 29B-LA-115702
- 1 - 29E-15525
- 1 - 29B-16160
- 1 - 29B-16179
- 1 - 29E-16235
- 1 - 29C-LA-108008
- 1 - 29E-15368
- 1 - 29H-16276



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29B-LA-115702-46



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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 5/6/91

From : SA [REDACTED]

b6
b7C

Subject: EARL W. BRIAN, CEO;
[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

On 4/25/91, SA [REDACTED] and SA [REDACTED]
FBI, met with SA [REDACTED] AUSA
[REDACTED] and AUSA [REDACTED]

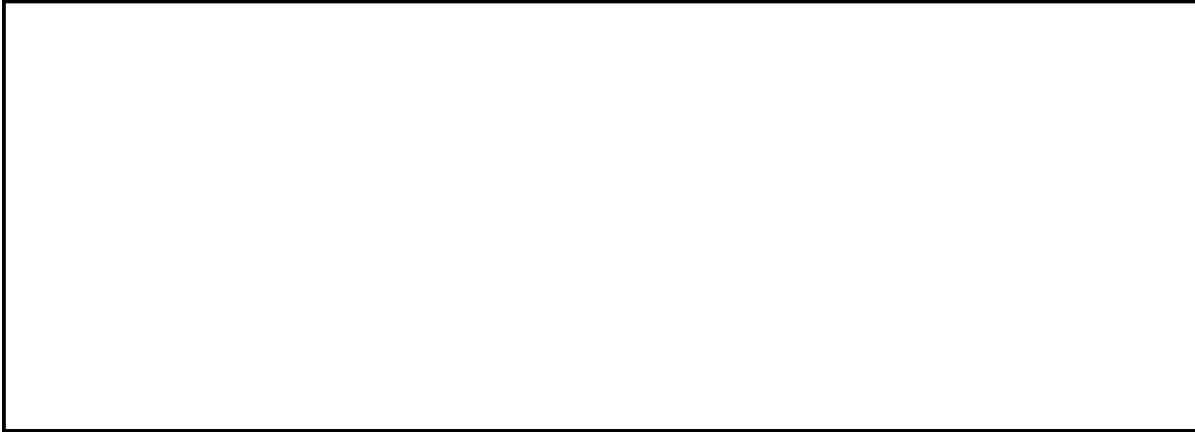
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29B-LA 115702-47
[REDACTED] [REDACTED]
[REDACTED]

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29B-LA-115702



b6
b7C
b7D

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (P) Date 5/7/91

From : SSA [REDACTED] (WCC-3)

b6
b7C

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC.- CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

Investigation to date has determined that FINANCIAL NEWS NETWORK (FNN) submitted false financial statements to support the approval and funding of more than \$70 million in lines of credit to SECURITY PACIFIC NATIONAL BANK and TORONTO DOMINION BANK.

After review of the voluminous documentation recently received from INFOTECHNOLOGY, FINANCIAL NEWS NETWORK and the SEC, it was determined that case agent, SA [REDACTED] will require assistance in bringing this matter to a logical conclusion. In that regard, SA [REDACTED] is being assigned to assist SA [REDACTED]

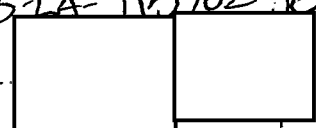
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1-ASAC [REDACTED]
① 29B-LA-115702

(2)

MAKE
SA [REDACTED]
CO-CASE W

29B-LA-115702-48



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(Mount Clipping in Space Below)

GE Unit Wins FNN With a Bid of \$145 Million

■ **Broadcasting:** But another bidder in the heated auction, a partnership of Dow Jones and Group W, will try to reverse the bankruptcy court award.

By VICTOR F. ZONANA
TIMES STAFF WRITER

NEW YORK—After sweetening its bid one last time, General Electric Co.'s CNBC unit Thursday won the heated auction to acquire Financial News Network, but a rival group vowed to press its attempt to buy the ailing cable business channel.

Consumer News and Business Channel's winning bid, selected by U.S. Bankruptcy

■ WAVE OF MERGERS

Why several rival cable TV channels have been forced to merge. A1

Judge Francis G. Conrad, was \$145 million in cash. In addition, CNBC agreed to assume \$9.3 million worth of FNN liabilities and to make a contingent payment if CNBC and FNN's combined revenue exceeds \$227 million over the next three years.

CNBC President Albert F. Barber said CNBC and FNN will be combined as soon as the deal closes. "We will have the best of the two services," he said. "The concept of shutting down FNN is not appropriate."

But the losing bidder, a partnership of Dow Jones & Co. and Westinghouse Electric's Group W Broadcasting Co., continued

Please see FNN, D13

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 5/10/91

Edition:

AM

Page 1 Business Section

Title:

GE UNIT WINS FNN WITH A
BID OF \$145 MILLION

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-50

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FNN: Several Lawsuits Filed in the Case

Continued from D1

to insist that CNBC's takeover of FNN would give the combined entity an illegal monopoly in the market for continuous cable business news.

Earlier this week, Dow Jones/Group W and several state attorneys general filed separate antitrust suits attempting to block CNBC's takeover of FNN. A hearing in one of the suits is scheduled for this morning.

Last month, a deadlocked U.S. Federal Trade Commission refused to block CNBC's takeover of FNN. Commission members voted 2 to 2, with one abstaining.

"The question the courts will have to grapple with is: How do you define the market?" asked Lewis A. Kornhauser, professor of law at New York University. "Does the market consist of only these two channels, or can it be more broadly defined to include Cable News Network, on-line computer services, radio, broadcast television and even newspapers and magazines?"

"The courts will have to examine the type of information [the networks] provide and what the al-

The Dow Jones/Group W consortium plans to challenge the judge's decision to reopen the bidding during conference telephone calls Wednesday evening and Thursday morning.

ternate sources of information might be," Kornhauser said.

In addition to the antitrust challenge, Dow Jones and Group W plan to appeal the ruling in favor of CNBC on procedural grounds. In particular, they plan to challenge the judge's decision to reopen the bidding during conference telephone calls Wednesday evening and Thursday morning.

"It was our position that the bidding was closed and over," said Dow Jones Senior Vice President Peter G. Skinner. "We were offered the opportunity to change our bid, and we declined."

The Dow Jones group's bid was \$125 million in cash and, like CNBC's offer, \$9.3 million in assumed liabilities. The Dow bid also included a complicated provision for a contingent payment based on future revenues.

Initially, the Dow group guaranteed only \$10 million of this contingent payment—but later offered to guarantee another \$17 million.

CNBC, countering the Dow group's bid Thursday morning, raised its \$140-million cash bid to \$145 million and for the first time adopted the Dow group's revenue-sharing scheme. The contingent payment will consist of half the combined FNN/CNBC revenue above \$227 million, if any, between 1992 and 1994.

"The CNBC bid accepted by the court is clearly superior to the last Dow Jones/Group W bid," said Allan R. Tessler and Alan J. Hirschfield, co-chief executives of FNN. "We are grateful that the estate has gained substantially more than the amounts contained in the original bids."

The Dow group initially bid \$90 million in February but was topped by CNBC's \$105 million a month later.

One attorney estimated that CNBC's bid would result in creditors receiving more than 85 or 90

CNBC Gets FNN

NBC's Consumer News and Business Channel won the bidding for certain assets of Financial News Network Inc.

FNN
Financial News Network Inc.

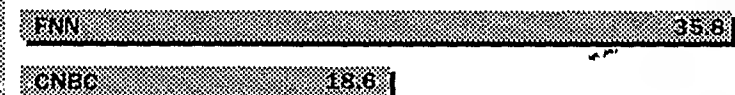
Financial News Network Inc. holdings:

- **Financial News Network**, business news cable network.
- **FNN: Sports**, sports information service on the FNN cable network.
- **FNN Business Radio**, business news feed for radio stations.
- **This Morning's Business**, syndicated TV show.

Additional holdings, not involved in the CNBC deal:

- **51% stake in the Learning Channel**, jointly owned with Infotechnology Inc. FNN and Infotechnology have agreed to sell their stake to The Discovery Channel.
- **FNN-Data Broadcasting**, stock quotes and market information service via personal computer.
- **49% stake in Shark Information Services Corp.**, stock quotes and market information for professional investors.

Number of households reached, in millions:



Source: Company reports

AP/Los Angeles Times

FNN Chronology

Here are some key events in the recent history of Financial News Network Inc., which is selling all its assets under supervision of the U.S. Bankruptcy Court.

- **Oct. 13, 1990:** FNN fires chief financial officer and ends association with its accounting firm by mutual agreement.
- **Oct. 24:** Alan J. Hirschfield and Allan R. Tessler are named co-chief executives, replacing Earl Brian. The company says it is the subject of Securities and Exchange Commission investigation.
- **Nov. 7:** Hirschfield and Tessler recommend selling FNN assets.
- **Nov. 29:** FNN says new auditors have reviewed its books for the fiscal year ended June 30 and determined the company lost \$72.5 million for the year.
- **Feb. 12, 1991:** FNN announces agreement in principle to sell its business news cable-TV channel to a partnership of Dow Jones & Co. and Westinghouse Broadcasting Co. for about \$90 million.
- **Feb. 14:** FNN agrees to sell interest in the Learning Channel to the owners of another cable network, the Discovery Channel, for \$31 million.
- **Feb. 26:** FNN announces definitive agreement to sell business cable channel to NBC's Consumer News and Business Channel, its main cable-TV rival, for \$105 million.
- **March 1:** FNN files for Chapter 11 bankruptcy protection, listing liabilities of \$145.4 million and assets of \$75.5 million.
- **March 20:** The Dow-Westinghouse partnership offers \$115 million for FNN.
- **April 3:** The bankruptcy court disqualifies the Dow-Westinghouse bid because the partners failed to hold the offer open until May 31 as CNBC had. The court accepts the CNBC offer, which is then sweetened to \$115 million.
- **April 9:** Dow-Westinghouse group appeals the bankruptcy court decision.
- **April 17:** A federal judge overturns the bankruptcy court's acceptance of the CNBC offer and instructs the court to review both bids.
- **April 30:** A federal appeals panel dismisses CNBC's appeal of the federal court ruling that sent the FNN case back to bankruptcy court.
- **May 7:** The bankruptcy court conducts an auction. The Dow-Westinghouse partnership offers \$167.1 million, including \$125 million in cash and another \$32.8 million over three years if certain revenue projections are met. CNBC offers \$149.3 million, including \$140 million in cash.
- **May 9:** The judge selects the CNBC bid, raised to \$145 million. The Dow-Westinghouse group vows to appeal.

cents on the dollar, with perhaps some money going to FNN shareholders.

Both bidders have much at stake. For Dow Jones, whose flagship Wall Street Journal has been losing circulation and advertising since the stock market crash of 1987, the acquisition of FNN would provide an entree to the potentially lucrative cable TV market.

GE's acquisition of FNN would help it salvage its investment in CNBC, which has lagged far behind FNN since CNBC began operating two years ago.

(Mount Clipping in Space Below)

NBC channel set for FNN purchase

NEW YORK (AP) — NBC's Consumer News and Business Channel is poised to buy its main cable television rival, Financial News Network, after a competing bidder and two states dropped their efforts to break up the deal.

NBC officials said Friday that they expect to complete the deal and merge the two business news channels as early as next week.

The partnership of Dow Jones & Co. and Westinghouse Broadcasting Co. called off its three-month pursuit of the business news channel on Friday, saying more legal delays would only hurt the service and those relying on it.

(Indicate page, name of newspaper, city and state.)

News Chronicle B-6
Thousand Oaks, CA

Date: 5/20/91
Edition:

AM

Title: NBC CHANNEL SET
FOR FNN PURCHASE

Character:

or

Classification: 29B-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-51

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 5/17/91

From : SA

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Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

This investigation was predicated by Los Angeles Times newspaper article indicating that TELEVISION NETWORK, FINANCIAL NEWS NETWORK (FNN) was experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to both SECURITY PACIFIC NATIONAL BANK and TORONTO DOMINION BANK.

Investigation to date has determined that the FNN financial statement submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets, and lease commitments.



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


*Recommend
Approval*



52

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|-------------------|------------|
| SEARCHED | SERIALIZED |
| MAY 20 1991 | |
| FBI - LOS ANGELES | |



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29B-LA-115702

AUSA [redacted] and AUSA [redacted] have
requested that SA [redacted] and SA [redacted]

[redacted]

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Arrangements have been made by SAs [redacted] to
travel to New York on 6/9/91 and return to Los Angeles on
6/14/91.

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 5/17/91

From : SA [REDACTED]

b6
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Subject: EARL W. BRIAN, CEO;
[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

PURPOSE: The purpose of this memorandum [REDACTED]
[REDACTED]

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BACKGROUND: This investigation was predicated by Los Angeles Times newspaper article indicating that TELEVISION NETWORK, FINANCIAL NEWS NETWORK (FNN) was experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to both SECURITY PACIFIC NATIONAL BANK and TORONTO DOMINION BANK.

Investigation to date has determined that the FNN financial statement submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets, and lease commitments.

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- ③ - Los Angeles
(2 - 29B-LA-115702 SUB EE)
(1 - 29B-LA-115702)

(3) [REDACTED]

29B-LA-115702-53

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|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| MAY 20 1991 | |
| FBI - LOS ANGELES | |

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29B-LA-115702

[Redacted]

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AUSA OPINION: On 5/6/91, AUSA [Redacted] was
advised of the facts in this situation. [Redacted]

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[Redacted]

SAC AUTHORITY: On 5/6/91, ASAC [Redacted]

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[Redacted]

SAC AUTHORITY _____

DATE: _____

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☒ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☒ UNCLAS E F T O
☒ UNCLAS

Date 6/6/91

FM FBI LOS ANGELES (29B-LA-115702) (P)

TO FBI NEW YORK/IMMEDIATE/

BT

UNCLAS

CITE: //3410:WCC-3//

PASS: SSA [REDACTED]

SSA [REDACTED]

SUBJECT: EARL W. BRIAN-CEO; [REDACTED]

[REDACTED] FINANCIAL NEWS NETWORK, INC., INFOTECHNOLOGY, INC. -

CUSTOMER, SECURITY PACIFIC NATIONAL BANK, LOS ANGELES,
CALIFORNIA, FIF, OO: LOS ANGELES.

RE LOS ANGELES TELCALL TO SA [REDACTED] NEW YORK, JUNE 6,
1991.

FOR INFORMATION, THIS INVESTIGATION WAS PREDICATED BY LOS
ANGELES TIMES ARTICLE INDICATING THAT TELEVISION NETWORK,
FINANCIAL NEWS NETWORK (FNN) WAS EXPERIENCING SEVERE FINANCIAL

Approved: CGU [REDACTED]

Original filename: [REDACTED] 001W.157

Time Received: _____

Telprep filename: [REDACTED] 00150.157

MRI/JULIAN DATE: _____

ISN: _____

FOX DATE & TIME OF ACCEPTANCE: [REDACTED] 6/6/91 6:23pm

SEARCHED

INDEXED

SERIALIZED

FILED

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b7Cb6
b7C

^PAGE 2 (29B-LA-115702) UNCLAS

DIFFICULTIES, IN PARTICULAR, MEETING ITS DEBT OBLIGATIONS ON MORE THAN \$70 MILLION IN LINES OF CREDIT TO BOTH SECURITY PACIFIC NATIONAL BANK AND TORONTO DOMINION BANK.

INVESTIGATION TO DATE HAS DETERMINED THAT THE FNN FINANCIAL STATEMENTS SUBMITTED TO SUPPORT THE APPROVAL AND FUNDING OF THE BANK LINES OF CREDIT CONTAINED SUBSTANTIAL INFLATED AND FICTITIOUS FIGURES, IN PARTICULAR, ACCOUNTS RECEIVABLE, FIXED ASSETS, AND LEASE COMMITMENTS.

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^PAGE 3 (29B-LA-115702) UNCLAS

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[REDACTED]

ON MAY 6, 1991, AUSA [REDACTED] WAS ADVISED OF THE
FACTS IN THIS SITUATION. AUSA [REDACTED]

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[REDACTED]

SAC, LOS ANGELES HAS [REDACTED]

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[REDACTED]

[REDACTED] SAC, LOS ANGELES ALSO
GRANTED AUTHORITY FOR SPECIAL AGENTS [REDACTED]
[REDACTED] TO TRAVEL TO NEW YORK. PER REFERENCED
TELCALL, SAC, NEW YORK CONCURS.

LOS ANGELES REQUESTS A NEW YORK SPECIAL AGENT BE MADE
AVAILABLE TO ASSIST SA'S [REDACTED]

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^PAGE 4 (29B-LA-115702) UNCLAS

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[REDACTED]

IT IS ALSO REQUESTED THAT NEW YORK CONTACT AN APPROPRIATE AUSA REGARDING OBTAINING CONCURRENCE FOR THE USE OF ELSUR IN NEW YORK.

NEW YORK AT NEW YORK CITY: (1) CONTACT APPROPRIATE AUSA TO OBTAIN CONCURRENCE FOR MONITORING AND [REDACTED]

[REDACTED] IF FURTHER

INFORMATION IS NEEDED, AUSA [REDACTED] CAN BE CONTACTED AT [REDACTED]

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b7D

[REDACTED]

(2) ASSIST LOS ANGELES CASE AGENTS [REDACTED] IF NECESSARY, IN THE MONITORING OF THIS MEETING.

BT

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:38

Case ID: 29B-LA-115702 Serial: 53X1

Description of Document:

Type : FD302

Date : 05/21/91

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 126

Employee:

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b7c

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 5/28/91

1 TO : DIRECTOR, FBI
 2 FROM : LEGAT, OTTAWA (29B-LA-115702) (P)
 3 SUBJECT : EARL W. BRIAN;
 4 BF&E;
 5 OO: LOS ANGELES

6 Enclosed for Los Angeles is the original and one
 7 copy and for FBIHQ, two copies of an unsolicited letter with
 8 enclosures from [redacted]
 9 [redacted] dated 2/1/91.

10 For information, [redacted] mentioned in [redacted]
 11 [redacted] letter [redacted]
 12 [redacted] of Legat, Ottawa.

LEAD:

13 Los Angeles: Will review the enclosed documents to
 14 determine their worth in relation to captioned matter and
 15 whether [redacted] should be interviewed.

16
 17 5-Bureau (Enc. 2)
 18 1-FLU, OLIA
 19 (2) Los Angeles (29B-LA-115702) (Enc. 2)
 20 1-Ottawa
 21 [redacted]

(6)

29B-LA-115702-55

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| SEARCHED | [redacted] |
| SERIALIZED | [redacted] |
| JUN 1 1991 | |
| [redacted] | [redacted] |

Wcc 3

Approved: _____ Transmitted _____ (Number) (Time) Per _____

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(Indicate page, name of newspaper, city and state.)

(Mount Clipping in Space Below)

Date: 6/12/91

Edition: LOS ANGELES TIMES

Title:

Character:

or

Classification:

Submitting Office:

Indexing:

CNBC Suffering Growing Pains

It Eliminated Rival FNN, but It's Still Looking for an Image

By JOHN LIPPMAN
TIMES STAFF WRITER

Tom Rogers, president of NBC's cable division, is confidently ticking off the benefits of NBC's \$145-million winning bid for Financial News Network when, on the TV set against the wall, a CNBC anchorman reads a news item about the drop in broadcasting stocks.

The graphic illustrating the story says "TV Stocks" and shows little arrows pointing down next to the stock symbols for CBS Inc. and Capital Cities/ABC Inc. But the arrow next to General Electric Co.'s stock symbol points up. Rogers is happy.

"We only show GE on the uptick," he jokes to a visitor about NBC's parent company. But then Rogers' smile turns

Please see CNBC, D11

Top 20 Cable-TV Networks

The chart shows the top 20 advertiser-supported cable-TV networks ranked by millions of subscribers. Figures are as of March 31.

| Network | Subscribers | Network | Subscribers |
|-----------------------------|-------------|----------------------------|-------------|
| 1 ESPN | 58.2 | 11 Family Channel | 52.8 |
| 2 CNN | 58.0 | 12 Lifetime | 52.5 |
| 3 TBS Superstation | 56.4 | 13 Arts & Entertainment | 50.2 |
| 4 USA Network | 55.4 | 14 Weather Channel | 48.7 |
| 5 Nickelodeon | 54.6 | 15 Headline News | 45.9 |
| 6 Discovery | 54.5 | 16 CNBC | 43.0 |
| 7 MTV | 54.1 | 17 VH-1 | 41.1 |
| 8 C-SPAN | 53.6 | 18 QVC | 36.8 |
| 9 Turner Network Television | 53.3 | 19 WGN (Superstation) | 33.7 |
| 10 Nashville Network | 53.0 | 20 American Movie Classics | 32.0 |

Source: Paul Kagan Associates

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29B-LA-115702-56

SEARCHED
SERIAL

JUN 17 1991

LOS ANGELES

CNBC: Cable Network Pays a High Price

Continued from D1

to a frown as he studies the graphic. "Actually, that's wrong," he deadpans. "GE's not a TV stock at all."

Trial and error have been the order of the day at CNBC ever since NBC launched its cable-TV network dedicated to business and consumer news. But despite repeated attempts to win over new cable affiliates and subscribers, CNBC's growth had stalled at only 18.2 million subscribers after 25 months on the air.

Now, thanks to the merger with FNN, CNBC has jumped to 43 million subscribers literally overnight, making it the 16th-largest cable-TV network. Previously, as the 25th-largest, CNBC could barely move the needle on the ratings meter.

"We're now among the major cable networks and have passed the threshold to attract national advertising," Rogers boasts.

Ironically, CNBC took over its stronger competitor, which was watched by twice as many viewers. FNN's own financial problems were so extensive that there was no way it could have survived on its own.

"CNBC was struggling all along," says Bill Croasedale, a media buyer at the Los Angeles advertising agency Western Media. "FNN was in the toilet too. The merger should enhance CNBC's chance of making it."

Such opportunity has not come without its price, however, thanks to a bidding war over FNN that erupted between NBC and a partnership formed by Dow Jones & Co. and Westinghouse Broadcasting.

In addition to the \$145-million cash payment to buy FNN's subscribers, NBC also assumed \$9.3 million in liabilities and agreed to pay the seller half of any revenue exceeding \$227 million over the next three years.

"When all the bills and start-up costs are added up, they're pushing between a \$250-million and \$300-

million investment by the time CNBC breaks even," says Larry Gerbrandt, senior analyst with the media research firm Paul Kagan Associates. "But it's what they had to pay to create a viable network long term."

Despite its huge financial outlay, NBC did not buy FNN's studio facilities or broadcast equipment and hired only 60 of FNN's 300 employees.

Instead, the chief benefits were eliminating a competitor. "The guts of this whole transaction was to secure our distribution," Rogers explains.

CNBC executives hope the wider distribution will lead to higher ratings—which so far have been paltry—and accelerate the network's timetable toward profitability.

Before the FNN merger, CNBC attracted only about 35,000 households per hour. With the wider subscriber base, CNBC executives hope to double that.

For viewers, the only apparent change since the merger has been replacing CNBC's stock ticker, which crawled across the bottom of the TV screen, with FNN's ticker. During the day, the network now calls itself CNBC/FNN, although the FNN half of the title is dropped at night.

But except for adopting a few of FNN's anchors and editorial staff, CNBC will continue its strategy of targeting hard-core business and financial news junkies during the day—a move that has worked—while trying to attract a broader audience in the evening—a move that has not.

"They really haven't been able to make prime time click yet," Gerbrandt says. "FNN tried sports, then financial news, then home shopping. Right now, CNBC is trying in-your-face TV, which may grab some attention but it's not mainstream programming."

Andy Friendly, who is in charge of programming CNBC's evening programs, admits the cable network has had trouble developing prime-time shows that people want to watch. He says viewers have been confused by the dual nature of CNBC's programming.

"The problem we had is that there was no clear identity to what we were doing," Friendly says. "Now we're trying to create a clear identity and niche."

Friendly wants to fashion a consumer-oriented network at night and on weekends that does not appeal only to businessmen and retirees in Florida who follow the stock market. He has developed programs such as "Talk Live," a sort of video version of talk radio

with guest anchors from radio talk shows across the country.

Eventually, Friendly believes that the dual strategy will work, just as it does at Nickelodeon, which shows children's programming during the day and switches to a campy lineup of old network sitcoms at night.

CNBC represents NBC's biggest foray into the potentially lucrative cable-TV business. Unlike NBC, however, where more than \$2 billion will be spent on programs this year, everything about CNBC is done on a shoestring.

The studios and offices, in an effort to hold down costs, are located in the blue-collar suburb of Ft. Lee, N.J., across the Hudson River from NBC's glamorous Midtown Manhattan headquarters. Reporters and producers, who might make \$150,000 a year for NBC, earn less than half that at CNBC.

If the cable network has a credo, in fact, it's to produce programs as cheaply as possible. CNBC has budgeted only \$30 million annually for its entire prime-time schedule—roughly what it costs to produce "Entertainment Tonight" or a hit network drama series for one season.

CNBC President Al Barber estimates that the network's average half-hour programming cost runs in the "low thousands." By contrast, a three-minute story on the network evening news can cost \$20,000 to produce.

Such a tight-fisted approach on budgets has been dictated by the small audience that so far has been attracted to CNBC programs. A 30-second commercial, depending on what time of day it runs, costs between \$200 and \$2,000—rates that are similar to radio.

Barber, a burly executive who once managed General Electric's railroad boxcar business, lectures about CNBC's need to do more with less. "There are a lot of things we can do with our existing resources without additional costs," he maintains.

He cites such "natural extensions" as business-to-business information services, newsletters, program production for other outlets such as syndication and satellites feeds into international markets.

Barber predicts that CNBC will be profitable on an operating basis within the next 12 months. "The upside comes in improving the ratings and performance during prime time and weekends," he says. "It costs the same to program for the first subscriber as it does for the 40-millionth."



RAY STUBBLEBINE / For The Times

Anchorwoman Sue Herera on the air at CNBC/FNN, which is the nation's 16th-largest cable-TV network.

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☒ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 6/11/91

FM FBI LOS ANGELES (29B-LA-115702) (P)

TO FBI NEWARK/IMMEDIATE/

BT

UNCLAS

CITE: //3410:WCC-3//

PASS: SSA [REDACTED] GARRETT MOUNTAIN RA.

SUBJECT: EARL W. BRIAN-CEO; [REDACTED]

[REDACTED] FINANCIAL NEWS NETWORK, INC., INFOTECHNOLOGY, INC. -

CUSTOMER, SECURITY PACIFIC NATIONAL BANK, LOS ANGELES,
CALIFORNIA, FIF, OO: LOS ANGELES.

RE LOS ANGELES TELCALL TO SSA [REDACTED] NEWARK, JUNE
11, 1991.

FOR INFORMATION, THIS INVESTIGATION WAS PREDICATED BY LOS
ANGELES TIMES ARTICLE INDICATING THAT TELEVISION NETWORK,
FINANCIAL NEWS NETWORK (FNN) WAS EXPERIENCING SEVERE FINANCIAL

Approved: CGC [REDACTED]

Original filename: [REDACTED] 002W.162

Time Received: _____

Telprep filename: [REDACTED] 002SO.162

MRI/JULIAN DATE: _____

ISN: _____

FOX DATE & TIME OF ACCEPTANCE: _____

11:10

SEARCHED

INDEXED

SERIALIZED

FILED

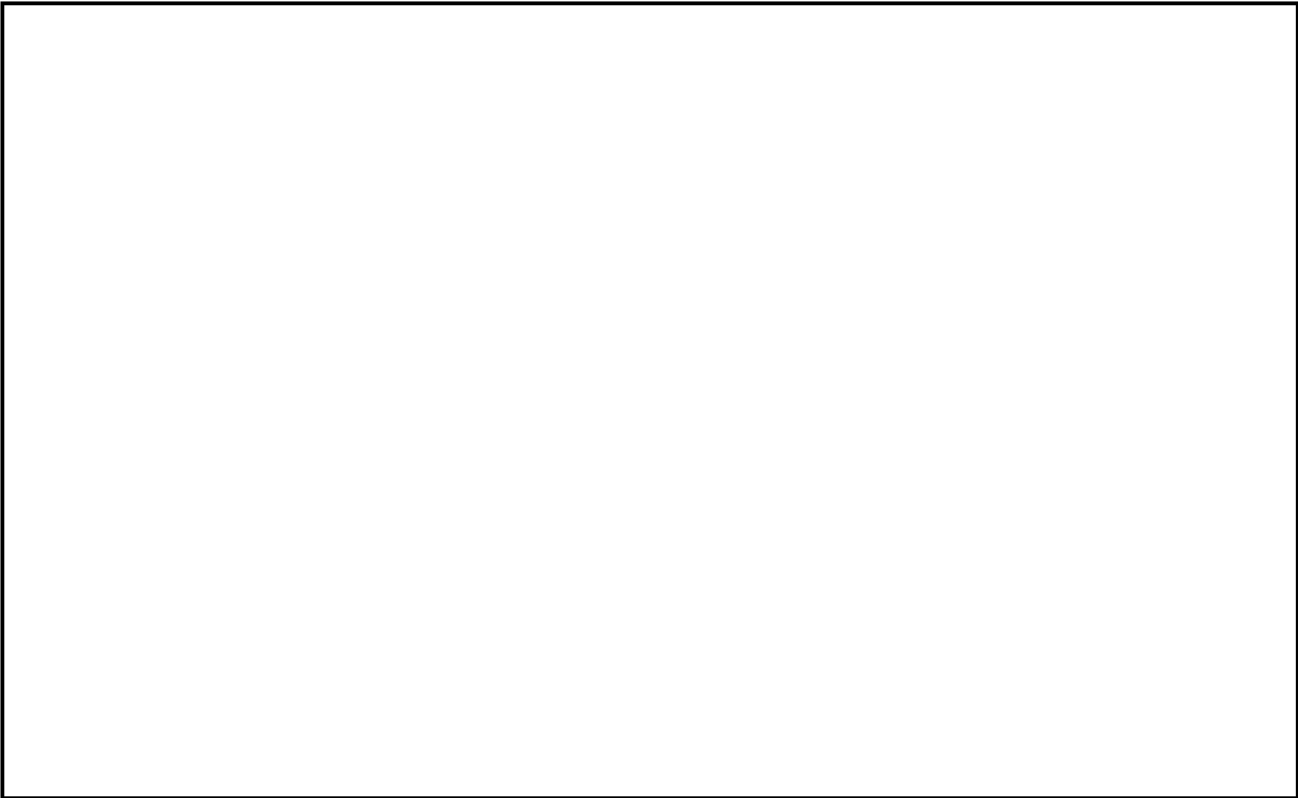
29B-LA-115702-27

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^PAGE 2 (29B-LA-115702) UNCLAS

DIFFICULTIES, IN PARTICULAR, MEETING ITS DEBT OBLIGATIONS ON MORE THAN \$70 MILLION IN LINES OF CREDIT TO BOTH SECURITY PACIFIC NATIONAL BANK AND TORONTO DOMINION BANK.

INVESTIGATION TO DATE HAS DETERMINED THAT THE FNN FINANCIAL STATEMENTS SUBMITTED TO SUPPORT THE APPROVAL AND FUNDING OF THE BANK LINES OF CREDIT CONTAINED SUBSTANTIAL INFLATED AND FICTITIOUS FIGURES, IN PARTICULAR, ACCOUNTS RECEIVABLE, FIXED ASSETS, AND LEASE COMMITMENTS.



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^PAGE 3 (29B-LA-115702) UNCLAS

ON MAY 6, 1991, AUSA [REDACTED] WAS ADVISED OF THE

FACTS IN THIS SITUATION. AUSA [REDACTED]

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SAC, LOS ANGELES HAS [REDACTED]

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[REDACTED] SAC, LOS ANGELES ALSO

GRANTED AUTHORITY FOR SPECIAL AGENTS [REDACTED]

[REDACTED] TO TRAVEL TO NEWARK. PER REFERENCED TELCALL,
SAC, NEWARK CONCURS.

LOS ANGELES REQUESTS A NEWARK SPECIAL AGENT BE MADE
AVAILABLE TO ASSIST SA'S [REDACTED]

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^PAGE 4 (29B-LA-115702) UNCLAS

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[REDACTED]

IT IS ALSO REQUESTED THAT NEWARK CONTACT AN APPROPRIATE AUSA REGARDING OBTAINING CONCURRENCE FOR THE USE OF ELSUR IN NEWARK.

NEWARK AT GARRETT MOUNTAIN: (1) CONTACT APPROPRIATE AUSA TO OBTAIN CONCURRENCE FOR MONITORING AND [REDACTED]

[REDACTED] IF FURTHER INFORMATION IS NEEDED, AUSA [REDACTED] CAN BE CONTACTED AT [REDACTED]

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[REDACTED] (2) ASSIST LOS ANGELES CASE AGENTS [REDACTED] IF NECESSARY, IN THE MONITORING OF THIS MEETING.

BT

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 5/28/91

From : SA [redacted]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

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[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
BF&E
OO: LOS ANGELES

On 4/30/91, SA [redacted] and SA [redacted]
met with [redacted] AUSA [redacted]
[redacted] AUSA [redacted] and AUSA [redacted]

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[redacted]

[redacted]

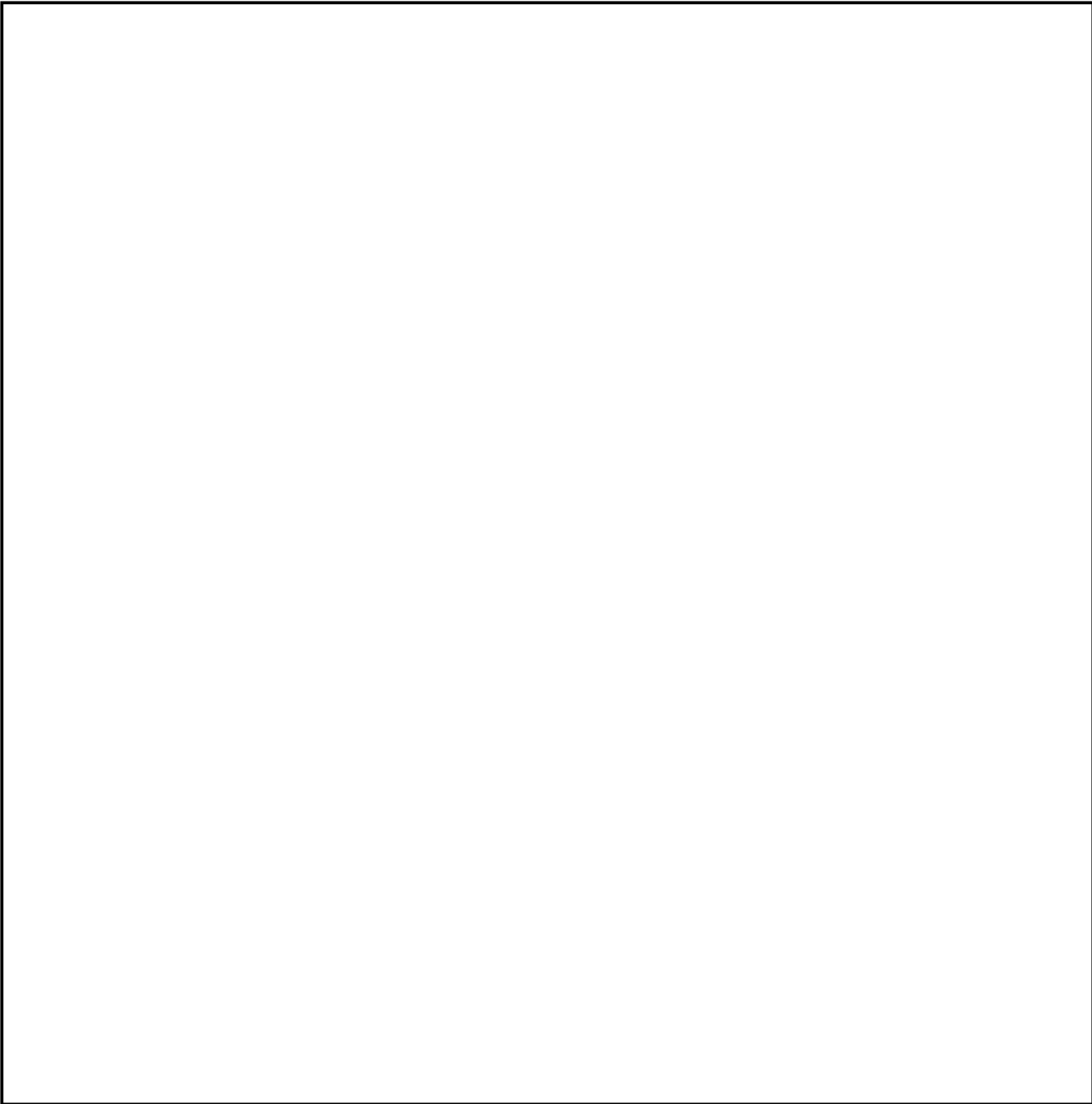
[redacted]

[redacted]

29B-LA-115702-58
[redacted]
[redacted]

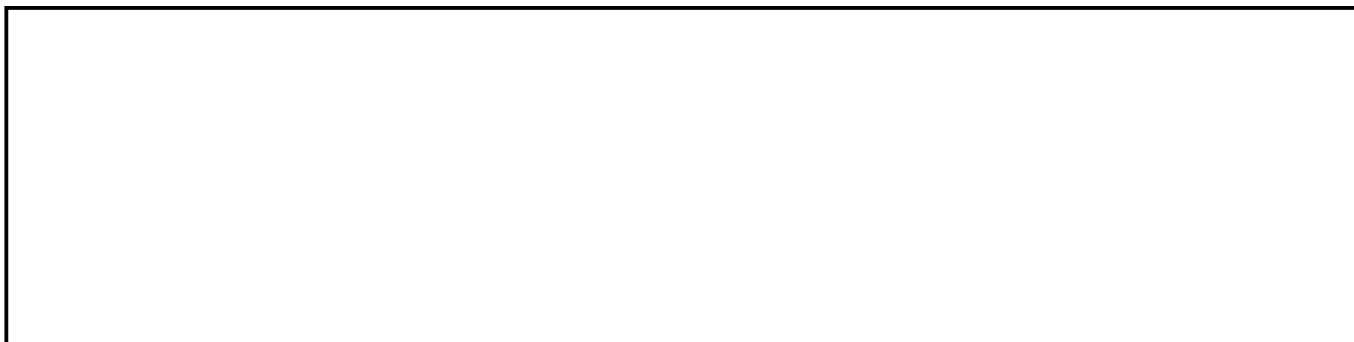
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29B-LA-115702



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29B-LA-115702



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(Mount Clipping in Space Below)

Stockholders Sue FNN and Infotechnology.: Stockholders of troubled Financial News Network and Infotechnology Inc. sued Deloitte & Touche, charging the accounting firm with misleading investors about the companies' financial health. FNN filed for bankruptcy protection last March. Subsequently, the FNN broadcast network and other assets were sold to NBC's Consumer News and Business Channel. FNN continues to operate its market data service division. A spokesman for the company told the Dow Jones news service that Deloitte & Touche has been cooperating with investigations into FNN and its affiliates. The spokesman declined further comment except to characterize the lawsuit as "entirely inappropriate."

(Indicate page, name of newspaper, city and state.)

Los Angeles Times
Los Angeles, CA

Date: 6/5/91

Edition:

AM
Page B2Title: Stockholders Sue FNN
and Infotechnology

Character:

or

Classification: 29B-LA-115702

Submitting Office:

Los Angeles

Indexing:

29B-LA-115702-59

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21B-1A-115702-160

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|------------------|--|---------------|--|
| SEARCH
SERIAL | | INDEX
FILE | |
| JUL 08 1991 | | | |
| FBI — LOS ANG | | | |

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The following investigation was conducted in the Los Angeles Division by Special Agent (SA) [redacted] on June 27, 1991:

The following reflect attempts to contact Dr. EARL WINFREY BRIAN, JR., also known as (aka) Dr. Earl Winfrey Brine, last known address 2025 Zonal Avenue, Los Angeles, California.

Building located at 2025 Zonal Avenue, Los Angeles, California, was found to be a medical office building occupied by two medical groups. The first medical group, [redacted]

[redacted] The second medical group, [redacted]

Telephone number [redacted] was accessed and found to be the medical offices of [redacted] via recording on the telephone. Telephone number [redacted] was then accessed and found to have been disconnected no longer assigned.

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Contact was made with the California DEPARTMENT OF HEALTH, Sacramento, California, [redacted] LAST NAME UNKNOWN (LNU), Director's office, reviewed the 1990 directory of medical health professionals and found no reference to Dr. EARL WINFREY BRIAN, JR.

The DEPARTMENT OF HEALTH SERVICES, Sacramento, California, was contacted and could provide no information concerning Dr. EARL WINFREY BRIAN, JR.

The personnel department, California DEPARTMENT OF HEALTH, Sacramento, California, was queried and no knowledge was found of Dr. EARL WINFREY BRIAN, JR.

During the above three contacts, the surname BRINE was also checked with negative results.

Contact was made with directory assistance for GENERAL TELEPHONE COMPANY, encompassing the greater Los Angeles, California, area, and no telephone number was found for Dr. EARL WINFREY BRIAN, JR., aka Dr. Earl Winfrey Brine.

Query was made of the California state DEPARTMENT OF MOTOR VEHICLES (DMV). The following is the results of said query:

Driver's license
number:
Name:
Address:

S0524651
EARL WINFREY BRIAN
6701 Center Drive West

| | |
|-------------------|---|
| | Los Angeles, CA 90045
(as of July 23, 1990) |
| Sex: | Male |
| Hair: | Brown |
| Eyes: | Blue |
| Height: | 6'3" |
| Weight: | 225 pounds |
| Previous address: | 12300 Twinbrook Pky, Suite 100
Rockville, Maryland |
| License issued: | February 24, 1982 |
| Expiration: | February 26, 1994 |
| License status: | Valid. |

6701 Center Drive West, Los Angeles, California, was found to be in the Westchester district. Through Haines Cross Directory, 6701 Center Drive West was found to be a large office complex. The only two medically related offices located in the building are BLUE SHIELD and NATIONAL MEDICAL CONSULTANTS.

The personnel office of BLUE SHIELD of California, (213) 568-5422 was contacted. No one in the personnel department had any knowledge of an Dr. EARL WINFREY BRIAN, JR, aka Dr. Earl Winfrey Brine.

Contact was made with NATIONAL MEDICAL CONSULTANTS, (213) 641-7440, and no one at that location had any knowledge concerning Dr. EARL WINFREY BRIAN, JR, aka Dr. Earl Winfrey Brine.

Contact was made with the MORROW MEDICAL GROUP, 2025 Zonal Avenue, Los Angeles, California, [REDACTED] LNU advised that there was not a Dr. EARL WINFREY BRIAN, JR, aka Dr. Earl Winfrey Brine at that location. She advised that 2025 Zonal Avenue is an administration building for the UNIVERSITY OF SOUTHERN CALIFORNIA (USC).

The Health Administration office of USC, office of the vice president, was contacted, [REDACTED] LNU advised she had heard of a Dr. EARL BRIAN, however, did not know if this was one in the same as Dr. EARL WINFREY BRIAN, JR, aka Dr. Earl Winfrey Brine.

[REDACTED] LNU recontacted reporting agent, after checking with the USC medical administration and found a 1983 telephone contact number for New York, New York, [REDACTED]

Telephone number [REDACTED] was accessed and found to be no longer in service.

[REDACTED] LNU, USC, recontacted reporting agent and advised she believed Dr. BRIAN to be a close friend of FIRST NAME UNKNOWN

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(FNU) [] a female who was formerly associated with the USC medical department and now believed to be living in Sacramento, California, working for the California State Department of Health and Welfare.

The California Department of Health, [] at Sacramento, California, was recontacted. [] assistant in the director's office of the California Department of Health advised that no [] was employed at their department.

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[] LNU, USC recontacted reporting agent to advise that [] was in fact, [] (phonetic), and believed residing in the Washington, D.C., area.

Attempts were made via computer query of the California DMV to locate a former driver's license for [] was unsuccessful.

Contact was made with a confidential source []

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[] LNU, USC, recontacted reporting agent to advise that she had ascertained the last telephone number of Dr. EARL BRIAN to be a New York, New York, number, (212) 922-9320. She advised she had attempted to access this telephone number without success. Further [] advised that she formerly knew Dr. BRIAN to be associated with FNN (FINANCIAL NEWS NETWORK), (213) 670-1100, in Santa Monica, California.

Inasmuch as FNN is the current focus of a Los Angeles Division 29 classification investigation, Supervisory Special Agent (SSA) [] Los Angeles Division, was contacted. SSA [] confirmed that Dr. EARL WINFREY BRIAN, was currently the main target of a \$70 million fraud investigation by his unit. Further, SSA [] advised that []

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Inasmuch as reporting agent is not privy to the status of the Los Angeles 29 classification investigation, SSA [] FBIHQ, was contacted and advised at his residence that SA [] case agent of aforementioned investigation would contact him.

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161A-HQ-10382

Los Angeles 29 classification case agent [redacted]
provided the following residential address for Dr. BRIAN:

Rt. 1, Box 160
Oxford, Maryland
(301) 822-9159
(301) 822-4004
(301) 822-5112.

655 Park Avenue
New York, New York
(212) 794-2241
(212) 744-2516.

b6
b7C

SA [redacted] believes telephone number (212) 922-9320 to be
Dr. BRIAN's company, INFO TECH.



FBI FACSIMILE COVERSHEET

CLASSIFICATION

PRECEDENCE

Immediate
Priority
Routine

- ☐ Top Secret
☐ Secret
☐ Confidential
☐ Sensitive
☒ Unclassified

Time Transmitted: _____

Sender's Initials: _____

Number of Pages: .. _____

Bulet 6/28/91

FBI ~~San Francisco~~ Los Angeles Date: *6-27-91*
(Name of Office)

Facsimile number: _____

Attn: _____

Director FBI (161-10382)
(Name of Office)

SSA

cc: *Robert Gates*

SPIN (A)

BUDED: To be done Immediately.

Special Handling Instructions: _____

Hand carry to

Sender's Name: _____

Telephone: *2564*

Sender's Facsimile Number: _____

ed: _____

FBI/DOJ

SEARCHED
SERIALIZED

JUN 27 1991

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JAB-LA-116702-6

71B-1A-115702-62

| | | | |
|-------------------|------------|-------|------------|
| SEARCHED | [REDACTED] | DE | [REDACTED] |
| SERIALIZED | [REDACTED] | FILED | [REDACTED] |
| JUL 08 1964 | | | |
| FBI — LOS ANGELES | | | |
| [REDACTED] | | | |

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(X)

FNN bankruptcy plan delayed until fall

But company still expects to pay its debts and recover

BY ANNE RACKHAM

Staff Reporter

Financial News Network Inc. announced last week it will now be fall before it submits its bankruptcy reorganization plan to the court, but the shadow of a company still plans to "present a plan that will satisfy creditors and simultaneously enable it to emerge as a healthy business."

FNN Inc. has been under Chapter 11 bankruptcy protection since March 1 and has sold off its major assets, including its FNN cable operations to competitor CNBC for \$154 million. But rather than convert the bankruptcy filing to a liquidation, the company has maintained that it plans to reorganize and continue. It still owns a stock market data service division.

A multitude of lawsuits filed against FNN and its former top executives and auditors, alleging all manner of improper transactions and siphoning of funds, remain stalled by the bankruptcy proceedings. The FNN stockholders' lawsuit against FNN's executives has been placed on hold until July 15, but FNN Inc. now says it will be before its plan is ready, which likely means a further delay.

"With the stay in place, there's not much we can do," said the stockholders' attorney, Allan Mansfield of the firm Milberg Weiss Bershad Specthrie & Lerach in San Diego. "Nobody's going anywhere. You really just have to take a wait-and-see approach."

Mansfield said it's possible FNN Inc. could be forced in Chapter 7 bankruptcy liquidation, "but it's not something you'd do because of a few months' delay. It's always a possibility."

Meanwhile, records in a lawsuit filed by former FNN Chief Financial Officer Steve Bolen against FNN reveal a possible explanation from Bolen for the missing \$794,000 bonus that led to his firing. FNN

money, and FNN later said it had been recovered. Documents filed in U.S. District Court by Securities and Exchange Commission investigators indicate the money may still be missing, along with millions more.

Bolen's lawsuit, filed in Los Angeles County Superior Court in Torrance, claims that Bolen had a verbal agreement with FNN's former Chief Executive Officer Earl Brian that Bolen would receive 1 percent of financing that he obtained for FNN and Infotechnology Inc., which owns 46 percent of FNN. Bolen asserts that he obtained \$159 million in financing, entitling him to a \$1.59 million bonus, but he received only \$794,000 — the same

amount FNN reported that Bolen paid himself in an "unauthorized" transaction.

"That's not a coincidence," said Brian's attorney, Larry Hirsh. "That's what is at issue — whether he was really authorized to take 1 percent." Hirsh said he couldn't comment further because the money is an issue in the stockholders' suit against Brian, Bolen and others.

Bolen's suit against FNN apparently never was served on an FNN representative and has been dormant for months.

The lawsuit alleges Bolen is entitled to the \$801,269 remaining due him on the financing deal. It also claims Bolen was fired without good reason and that FNN made false statements about Bolen to justify the firing.

Also last week, FNN Inc. announced the

appointment of four people to its corporate board of directors. Two of the four are FNN's new co-chief executives, Allan Tessler and Alan Hirschfield. Also named were David Markin, president of Checker Motors Corp., and Robert Lynch Jr., president of American & Foreign Enterprises Inc.

Tessler and Hirschfield issued a statement saying they are "pleased to continue to direct FNN's restructuring." They were named co-chief executives in October. The appointments increase the size of the board from four members to eight.

In addition, Tessler, Hirschfield and Markin were named board members of Infotech, which also filed for Chapter 11 bankruptcy protection in March. Infotech, which owns United Press International, also announced it anticipates filing a reorganization plan in the fall.

— Staff reporter Liz Mullen contributed to this story

But company still expects to pay its debts and recover

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— Staff reporter Liz Mullen contributed to this story

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (P) Date 7/6/91
(WCC-3)

From : SA [REDACTED]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER:

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[REDACTED]

FINANCIAL NEWS NETWORK INC.,
INFOTECHNOLOGY INC.-CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA;
FIF;
OO: LOS ANGELES

On July 2, 1991, Special Agent (SA) [REDACTED]
[REDACTED] met with Assistant United States Attorney
(AUSA) [REDACTED] AUSA [REDACTED] and SA [REDACTED]
[REDACTED] regarding above captioned matter.

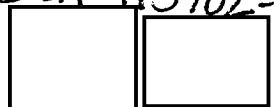
b5
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b7E

It was decided that [REDACTED]

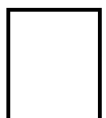
[REDACTED]



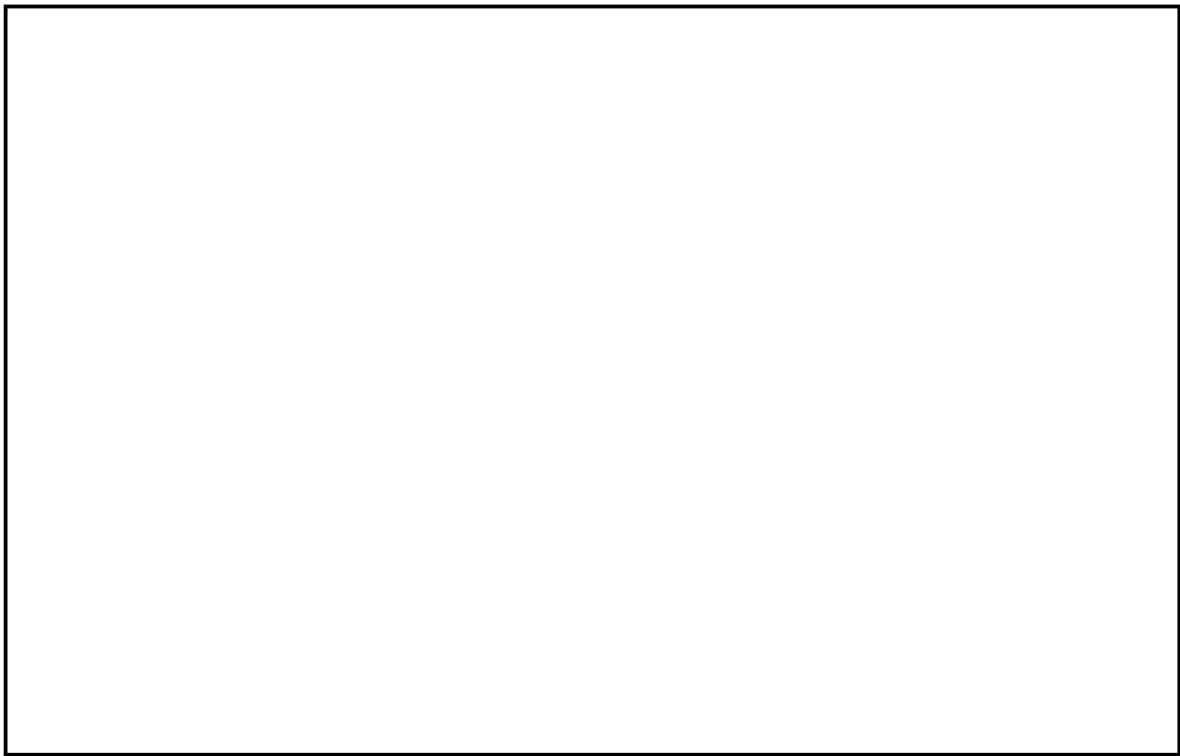
29B-LA-115702-6241



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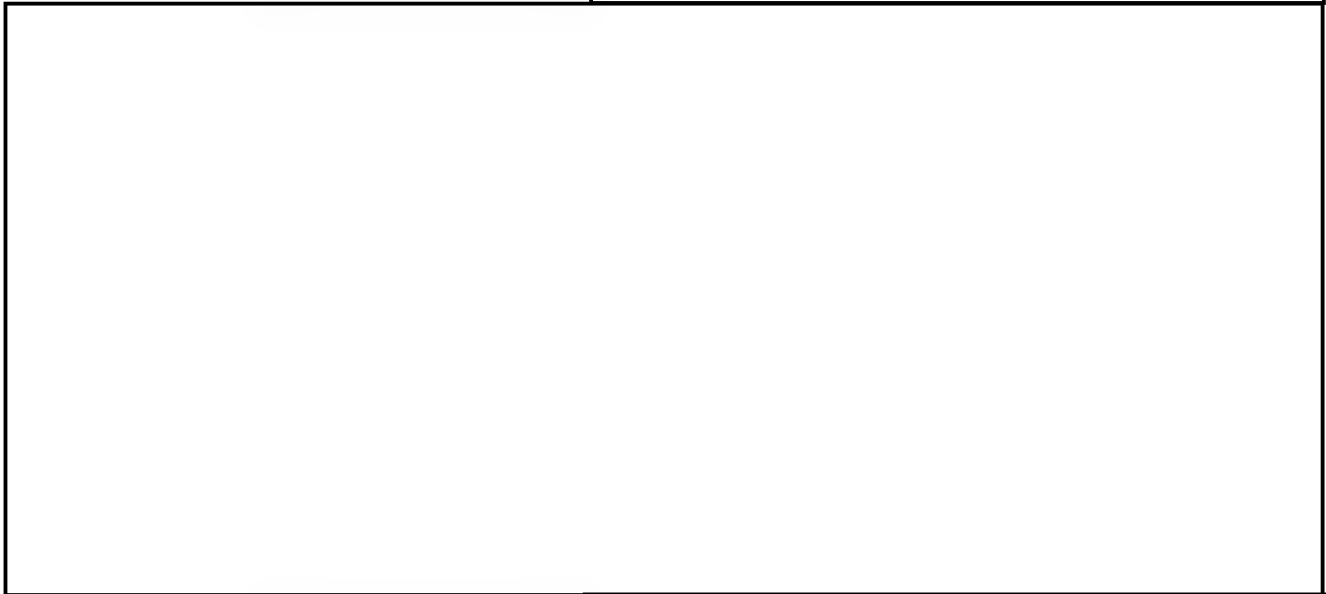
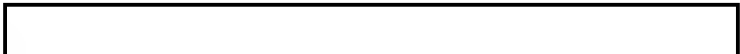


29B-LA-115702



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It was decided that



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It was decided that



29B-LA-115702



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RR FRILA

DE FBINY #0048 1920038

ZNR UUUUU

R 102329Z JUL 91

FM FBI NEW YORK (29B-LA-115702) (RUC)

JUL 10 5 43 PM '91

TELETYPE ROOM

TO FBI LOS ANGELES (29B-LA-115702)/ROUTINE/

BT

UNCLAS

CITE: //3540//

SUBJECT: EARL W BRIAN - CEO; [REDACTED]

FINANCIAL NEWS NETWORK, INC, INFOTECHNOLOGY, INC/CUSTOMER, SECURITY;

PACIFIC NATIONAL BANK, LOS ANGELES, CALIFORNIA; FIF; OO: LOS;

ANGELES.

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RE LA TELETYPE DATED JUNE 7, 1991, AND NY TELCAL OF SA [REDACTED]

CID TO LA SA [REDACTED] JUNE 17, 1991.

REFERENCED LA TELETYPE REQUESTED NY'S ASSISTANCE IN OPERATING

THE LA COOPERATING WITNESS (CW) [REDACTED]

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(X)

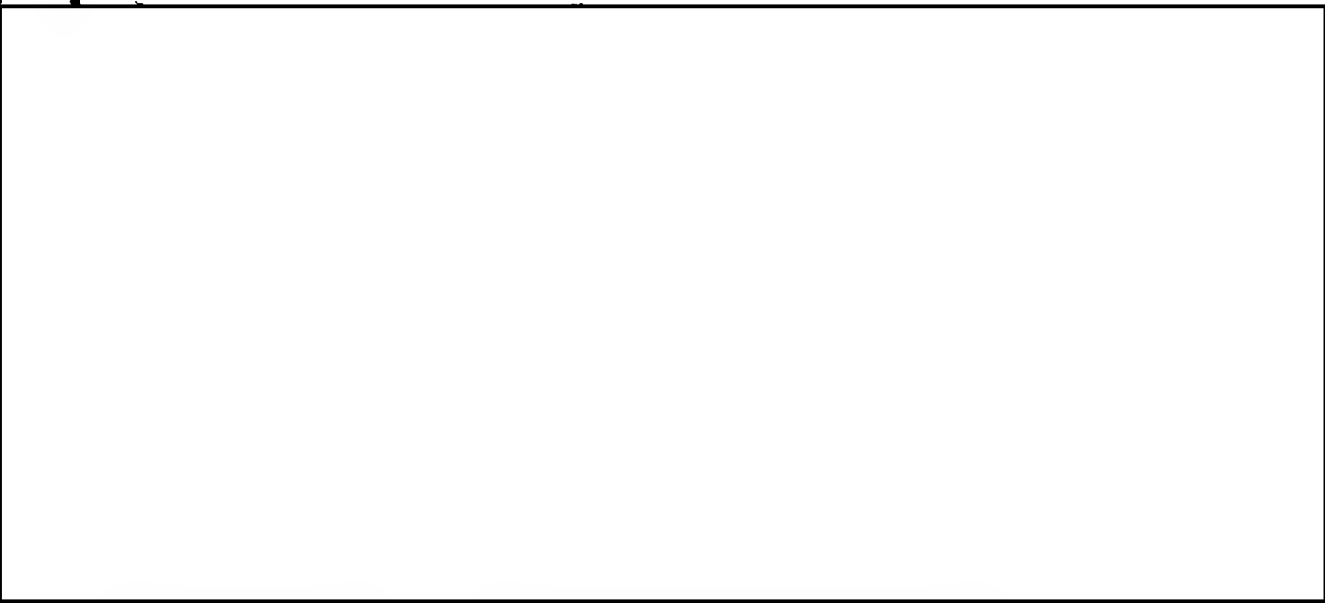
TELETYPE

29B-LA-115702-63

| | | | |
|------------|------------|-------------------|------------|
| SEARCHED | [REDACTED] | INDEXED | [REDACTED] |
| SERIALIZED | [REDACTED] | FILED | [REDACTED] |
| WCC | | JUL 10 1991 | |
| 3 | | FBI - LOS ANGELES | |

[REDACTED]

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IN VIEW OF ABOVE, THIS MATTER IS CONSIDERED RUC.

BT

#0048

NNNN

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 7/16/91

TO : SAC, LOS ANGELES
 : SAC, NEWARK (29B-LA-115702) (GMRA-1) (RUC)
 SUBJECT : EARL W. BRIAN-CEO;

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b7C

FINANCIAL NEWS NETWORK, INC.,
 INFOTECHNOLOGY, INC.,
 CUSTOMER, SECURITY PACIFIC
 NATIONAL BANK,
 LOS ANGELES, CALIFORNIA
 FIF
 OO: LOS ANGELES

Re: Los Angeles teletype to Newark dated 6/12/91.

For information of Los Angeles, AUSA [redacted]
 Newark, NJ, was contacted and advised of [redacted]

AUSA [redacted] was also given AUSA [redacted] number and was
 instructed to call [redacted] if he needed further information.

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As there is no further investigation which needs to
 be conducted by the Newark Division, Newark considers this
 matter to be RUC.

2-Los Angeles [redacted]
 1-Newark [redacted]

(3)

29B-LA-115702

| | |
|-------------------|------|
| SEARCH
SERIAL | FILE |
| JUL 22 1991 | |
| FBI - LOS ANGELES | |

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Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 7/30/91

TO : DIRECTOR, FBI
FROM : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) (P)
SUBJECT : EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

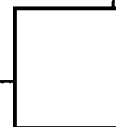


FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

Re Legat, Ottawa airtel dated 5/28/91.

For information, documents provided by Legat, Ottawa through [redacted] were reviewed by FBI, Los Angeles and it is desired that [redacted] be interviewed specifically about an associate of BRIAN's named [redacted]. It is also desired by FBI, Los Angeles that [redacted] be interviewed regarding his knowledge of other BRIAN companies, specifically HADRON, EDANCO and JENCO.

2 - Bureau
(2) - Los Angeles



Approved: _____ Transmitted _____
(Number) (Time)

SEARCHED

INDEXED
Per _____
SE _____

FILED

29B-LA-115702-67

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29B-LA-115702

BRIAN has maintained business contacts with [redacted] since approximately 1982, and maintained social contacts with [redacted] since approximately 1978. [redacted]

[redacted] was responsible in part for the reorganization of BIOTECH CAPITAL, formerly INFOTECHNOLOGY, as well as an accountant for another BRIAN company called INTEX.

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FBI, Los Angeles has interviewed [redacted] [redacted] has denied any wrongdoing in relation to BRIAN and any BRIAN entity. Others have testified that [redacted] was responsible for setting up off-shore bank accounts on behalf of BRIAN and his entities. Approximately \$8 million was deposited to these accounts through BRIAN's company, FINANCIAL NEWS NETWORK (FNN) disguised as lease payments on FNN's books. It is believed that BRIAN was attempting to close these accounts and personally collect the \$8 million.

In addition, investigation by FBI, Los Angeles has discovered other BRIAN companies that [redacted] and BRIAN were involved in specifically, HADRON, EDANCO and JENCO. [redacted] briefly mentions HADRON in the documentation provided by Legat, Ottawa. Any additional information regarding these entities that [redacted] could provide to FBI, Los Angeles would be useful.

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[redacted] is described as follows:

Name
Race
Sex
Date of Birth
Place of Birth
Height
Weight
Hair
Eyes

| |
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| |
|--|

29B-LA-115702

LEAD

LEGAT, OTTAWA: Will interview [] regarding his knowledge of [] and knowledge of other BRIAN entities, specifically, HADRON, EDANCO and JENCO.

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29B-LA-115102-68



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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-3) (P)

Date 6/26/91

From : SA [redacted]

Subject: EARL W. BRIAN,

b6
b7C

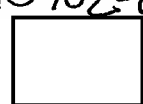
[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 6/26/91, SA [redacted] and SA [redacted]
met with SA [redacted] and AUSA [redacted]
[redacted] and AUSA [redacted]

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29B-LA-115702-684



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29B-LA-115702

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21B LA-115702-69



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FACSIMILE

| | | | | | |
|-----------------------|--|----------------------|--|--------------------|--|
| REC. | | INT. | | DATE
TIME | |
| 8-14-91 | | 10:45 | | | |
| # of pages 32 | | From | | Mail Stop 5-3 | |
| To S. A. | | Phone (202) 272-3846 | | Fax (202) 272-7936 | |
| Cc: FBI - Los Angeles | | Dept. WCC-3 | | Fax (213) 445-3507 | |
| SEC 2270 (3-81) | | SENT | | DATE | |

Area Writer Investigating Inslaw Case Found Dead

Freelancer Went to Meet Source, Friends Say

By Gary Lee
Washington Post Staff Writer

A Washington-area freelance writer was found dead in a Martinsburg, W.Va., hotel Saturday in the midst of investigating an eight-year-old politically charged dispute between the Justice Department and the Inslaw Co., a local computer software firm.

Daniel Casolaro was discovered in the Martinsburg Sheraton after telling friends that he was going to West Virginia to meet a source who had intimate knowledge of the Inslaw case. Hotel employees found the 44-year-old Fairfax man in a bathtub with his wrists cut, Martinsburg police reported.

Martinsburg police originally ruled the death a suicide but are now investigating it further, a spokesman said. An autopsy on the body has been ordered, the spokesman added, declining further comment.

Former attorney general Elliot Richardson, who is acting as counsel to the owners of Inslaw, said Justice Department officials told him they were conducting a separate probe into the death. A department spokesman was unavailable for comment.

The Inslaw case has been at the center of an intensive legal battle since 1983. Company owners Bill and Nancy Hamilton charge that the Justice Department stole \$6 million worth of computer software from them that had been designed to help law enforcement officials track cases. Inslaw has alleged in court that department officials in the Reagan administration then used "trickery, fraud and deceit" and harassed the firm in an effort to drive it out of business. A House Judiciary subcommittee is investigating the case.

The Justice Department rejects the charges, however, and the case has been entangled in court for eight years.

Friends and relatives strongly suspect foul play, though they presented no evidence of it. They cited what they called the strange coincidence of Casolaro's death and the research into the controversial Inslaw case. "He had been researching this thing for a long time and was very excited about the information he was finally getting," said Benjamin Mason, a close friend of Casolaro's who met with him last Tuesday, the day before he left for Martinsburg. "He was in good spirits and very excited about the source he was going to see in West Virginia."

"There is no way in the world that he would have killed himself," added Mason, the last acquaintance to see Casolaro alive.

Friends say their suspicions have been piqued by several curious incidents, including a call to Casolaro's home Saturday night. Casolaro's brother, Anthony Casolaro, said a maid at Daniel's home answered the phone and heard a man's voice say: "You're dead, you bastard."

Casolaro began investigating the Inslaw case last year and planned to write a book about it. "He had been digging into stuff for months and getting nowhere," his brother said in a telephone interview. "Then, suddenly, he said he had this big breakthrough, some source he had. And now this."

Casolaro's friends have moved to protect materials that he had been gathering in the case.

Casolaro, an investigative reporter and writer, had published two novels, a book of short stories and several investigative articles. He was researching the Inslaw case as part of a book project on the "October surprise," the allegations that Reagan campaign officials in 1980 engineered the timing of the release of hostages from Iran to aid the GOP election bid.

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Homicide Not Ruled Out in Death of Writer Probing Inslaw

Robert O'Harrow and Gary Lee
Martinsburg Post Staff Writers

Virginia authorities said today they were exploring the possibility that Joseph Daniel Casolano, a freelance writer found dead Saturday in Martinsburg, was a victim of a homicide even though apparent slash marks were surrounded for wrists. "At this point nothing is ruled out," said James Gaither, an assistant county prosecutor.

Local medical officials have ordered an autopsy of Casolano's body, which was discovered in a room at the Martinsburg Sheraton hotel. But the apparently prearranged embalming of the body on Sunday has complicated the procedure and brightened suspicions among Casolano's relatives that he was the victim of foul play.

Martinsburg police had ordered an investigation after a short investigation and a ruling at the scene by county coroner Sandra Brining, that the death was a suicide. No

relatives were contacted before the embalming, according to Casolano's brother, Anthony Casolano, an Arlington physician. He said police told him they got no answer Saturday at a Fairfax County telephone number they obtained from Joseph Casolano's driver's license.

Martinsburg police said they had contacted Fairfax police Saturday about the body, but received no response.

Relatives and friends eventually notified have questioned the suicide ruling, and suggested his death was linked to sensitive research he was doing on a book. The death is now under investigation by authorities from West Virginia and Virginia, Gaither said. The FBI has also made inquiries into the case, she said.

Casolano, 44, of Fairfax, went to West Virginia last Thursday to meet a source for a book about the Inslaw Inc. case, an eight-year-old legal battle between the Justice Department and a Washington-based computer software company. The company has long alleged that Reagan

administration officials stole software designed for law enforcement use and furnished the firm in an effort to drive it out of business.

Friends and relatives said Casolano, whom they called "Danny," was investigating what he achieved was a connection between the Inslaw case and the "October Surprise," the allegations that officials working in the campaign of three-presidential candidate Ronald Reagan in 1980 engineered the timing of the release of hostages from Iran to aid the Republican election effort.

Anthony Casolano said he believed it was highly unlikely that his brother committed suicide. "He was always upbeat and positive," Anthony Casolano said. "He was not depressive. He was just not the type of guy to kill himself."

The body of Joseph Casolano was found by a hotel employee at about 1 p.m. Saturday in room 517 of the Sheraton, said a Martinsburg police spokesman, Capt. T.C. Anderson. Casolano had checked into the room under his own name, Anderson said.

Anthony Casolano said an engraved note was found at the scene, saying "I'm sorry, especially to my son," but he questioned its authenticity and said handwriting checks on it have been ordered.

"It was not at all like Danny to write a six-word note," Casolano said. "He wasn't like that. Maybe a four-page letter, but not a note like that. It doesn't add up." He said his brother was divorced, with one adult son.

After several hours of investigation, Casolano's body was taken to the Brown Funeral Home in Martinsburg and was embalmed on Sunday, police said. The room was cleaned by an industrial contractor.

It was Anthony Casolano, informed of the death Monday, who demanded an autopsy. "I've never really heard of someone being embalmed without an investigation or relatives' permission," he said in a telephone interview. "It adds to the sense of conspiracy about this death."

Friends described Casolano as a painstaking reporter who for eight

months had submerged himself in the Inslaw case and the possible "October Surprise." "He knew his business well," said Tom Kennelring, a friend who had worked with Casolano a few years ago. "If he thought that he was onto something, he was probably really onto something."

Casolano had published three books, including "The Ice King," a novel, and "Makes Me Think of Tall Green Grass," a collection of short stories. He had also published a computer newsletter.

But since late last year he had worked exclusively on research for the Inslaw book, friends said. He had tough going at first but in the past couple of weeks everything seemed to be coming together, said Anthony. "A lot seemed to hinge on his source in West Virginia."

Speculation about the cause of Casolano's death and the alleged conspiracies he was investigating was widespread yesterday in Martinsburg, a city of 14,000 in West Virginia's eastern panhandle.



JOSEPH DANIEL CASOLANO
... found dead in West Virginia

Mayor Anthony J. Senn said he had received more than 30 calls about the case. "Too late for something like this to happen in our town," he said. "It's going to be talked about. Theories are going to be made. I'm sure there are hundreds of theories."

Lee reported from Washington and O'Harrow from Martinsburg.

NAME: Brian, Earl W.

ADDRESS: 655 Park Avenue
New York, NY 10029-5937

WORK PHONE:

FAX:

HOME PHONE: (212) 744-2516

NOTES: Also (301) 822-9159; SSN 237-66-1030;

SE"

AMEX ;

(EWB),

(DVB), also

b6
b7C

Testified May 7-8, 1991

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (WCC-3) Date 8/14/91

From : SA [REDACTED]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

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b7C

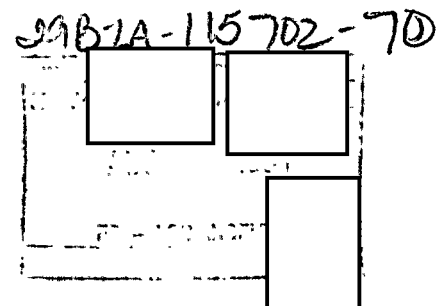
[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

SA [REDACTED] has been instructed by SSA [REDACTED] to work exclusively on above captioned matter. All other work will be addressed by priority at a later date.

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- ② - 29B-LA-115702
1 - 29E-15525
1 - 29B-16160
1 - 29B-16179
1 - 29E-16235
1 - 29C-LA-108008
1 - 29E-15368
1 - 29H-16276



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FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 9/13/91

FM FBI LOS ANGELES (29B-LA-115702) (P)

TO FBI CLEVELAND/ROUTINE/

FBI PITTSBURGH/ROUTINE/

BT

UNCLAS

CITE: //3410:WCC-3//

SUBJECT: EARL W. BRIAN-CEO; [REDACTED]

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[REDACTED] FINANCIAL NEWS NETWORK, INC., INFOTECHNOLOGY, INC. -

CUSTOMER, SECURITY PACIFIC NATIONAL BANK, LOS ANGELES,
CALIFORNIA, FIF, OO: LOS ANGELES.

RE LOS ANGELES TELCALLS TO SUPERVISOR [REDACTED]

CLEVELAND, ON SEPTEMBER 12, 1991, AND SUPERVISOR [REDACTED]

[REDACTED] PITTSBURGH, ON SEPTEMBER 12, 1991.

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FOR INFORMATION OF CLEVELAND AND PITTSBURGH, THIS
INVESTIGATION WAS PREDICATED BY LOS ANGELES TIMES ARTICLE

Approved: CPA [REDACTED]

Original filename: [REDACTED]

Time Received: _____

Telrep filename: [REDACTED]

MRI/JULIAN DATE: 906/259ISN: 007FOX DATE & TIME OF ACCEPTANCE: 9/16/91 10:52b6
b7c

29B-LA-115702-11

^PAGE 2 (29B-LA-115702) UNCLAS

INDICATING THAT TELEVISION NETWORK, FINANCIAL NEWS NETWORK (FNN), WAS EXPERIENCING SEVERE FINANCIAL DIFFICULTIES, IN PARTICULAR, MEETING ITS DEBT OBLIGATIONS ON MORE THAN \$70 MILLION IN LINES OF CREDIT TO BOTH SECURITY PACIFIC NATIONAL BANK AND TORONTO DOMINION BANK.

INVESTIGATION TO DATE HAS DETERMINED THAT THE FNN FINANCIAL STATEMENTS SUBMITTED TO SUPPORT THE APPROVAL AND FUNDING OF THE BANK LINES OF CREDIT CONTAINED SUBSTANTIAL INFLATED AND FICTITIOUS FIGURES, IN PARTICULAR, ACCOUNTS RECEIVABLE, FIXED ASSETS AND LEASE COMMITMENTS.

FNN OFFICIALS ENTERED INTO A NUMBER OF SALE LEASEBACK AND LEASE TRANSACTIONS WITH SEVERAL LEASING COMPANIES LOCATED IN THE CLEVELAND, OHIO, AND PITTSBURGH, PENNSYLVANIA AREAS. FNN OFFICIALS CLAIMED TO HAVE GOOD TITLE TO THE LEASED PRODUCTION EQUIPMENT WHEN, IN FACT, THE EQUIPMENT DID NOT EXIST.

AUSA [REDACTED] LOS ANGELES, HAS REQUESTED THAT

SA [REDACTED]

TRAVEL TO [REDACTED]

[REDACTED] AUSA [REDACTED] HAS

ALSO REQUESTED SA [REDACTED]

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^PAGE 3 (29B-LA-115702) UNCLAS

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ARRANGEMENTS HAVE BEEN MADE FOR SA [REDACTED] TO TRAVEL TO CLEVELAND, OHIO, ON SEPTEMBER 16, 1991, INTERVIEW LDI CORPORATION, 30033 CLEMENS ROAD, WESTLAKE, OHIO, ON SEPTEMBER 17, 1991, INTERVIEW DANA COMMERCIAL CREDIT, 1300 INDIAN CIRCLE, TOLEDO, OHIO, ON SEPTEMBER 18, 1991, TRAVEL TO PITTSBURGH, PENNSYLVANIA AND INTERVIEW USX CREDIT CORPORATION, 600 GRANT STREET, PITTSBURGH, PENNSYLVANIA, ON SEPTEMBER 19, 1991, AND RETURN TO LOS ANGELES ON SEPTEMBER 20, 1991.

SAC'S, LOS ANGELES, CLEVELAND, AND PITTSBURGH CONCUR WITH THIS TRAVEL.

BT

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-3)

Date 9/13/91

From : SA [redacted]

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Subject: EARL W. BRIAN - CEO;

[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER
SECURITY PACIFIC NATIONAL BANK
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 8/20/91, [redacted]
[redacted] LDI CORPORATION, 30033 Clemens Road, Westlake, Ohio,
[redacted] telephone [redacted] telephonically contacted SA [redacted]
[redacted] regarding above captioned matter.

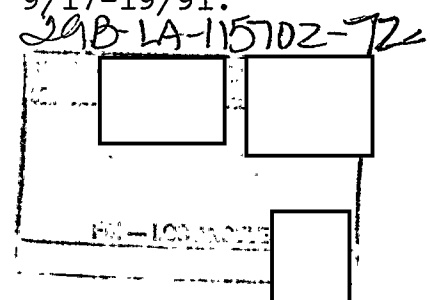
[redacted] advised that LDI had entered into approximately seven lease agreements with FINANCIAL NEWS NETWORK (FNN), and other EARL BRIAN entities, specifically MICRO RESEARCH INC. (MRI). LDI entered into a sale leaseback agreement with MRI for production equipment. LDI never physically observed the equipment they purchased. [redacted] FNN was the person responsible for signing the lease documents on behalf of MRI claiming good Title to the equipment. [redacted] has recently discovered MRI did not have good Title to the leased production equipment.

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Further investigation determined that two other leasing companies also entered into multiple lease agreements with FNN and other BRIAN entities, but do not believe FNN had good title to the equipment. DANA COMMERCIAL CREDIT, 1300 Indianwood Circle, Toledo, Ohio, entered into several sale leaseback and lease transactions with FNN totaling approximately \$6.5 million. USA CREDIT CORPORATION, 600 Grant Street, Suite 1250, Pittsburgh, Pennsylvania, entered into several similar lease transactions totaling approximately \$5 million.

AUSA [redacted] has requested that SA [redacted] travel to Toledo, Ohio and Pittsburgh, Pennsylvania, the week of 9/16-20/91, to interview three leasing companies and review the lease documents. Interviews have been set up for 9/17-19/91.

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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 9/6/91

1 TO : DIRECTOR, FBI
 2 FROM : LEGAT, OTTAWA (29B-LA-115702) (RUC)
 3 SUBJECT : EARL W. BRIAN;
 4 BF&E;
 5 OO: LOS ANGELES

6 Re Ottawa airtel to Bureau dated 5/28/91.

7 Referenced airtel furnished Los Angeles information
 8 provided to Legat Ottawa [REDACTED]

9 [REDACTED] was left to Los Angeles' discretion based upon their
 10 review of the material attached to re airtel.

11 Inasmuch as Legat Ottawa is not in receipt of any
 12 additional requests for assistance, this matter will be placed
 13 administratively in an RUC status.

- 14
 15
 16
 17
 18 ⑤ - Bureau
 19 1 - Foreign Liaison Unit, OLIA
 20 ② - Los Angeles (29B-LA-115702)
 21 1 - Ottawa

CC/SENT BY FBIHQ

(6)

29B-LA-115702-73

WCC-3

SEP 11 1991

Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

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A Victim of 'The Octopus'?

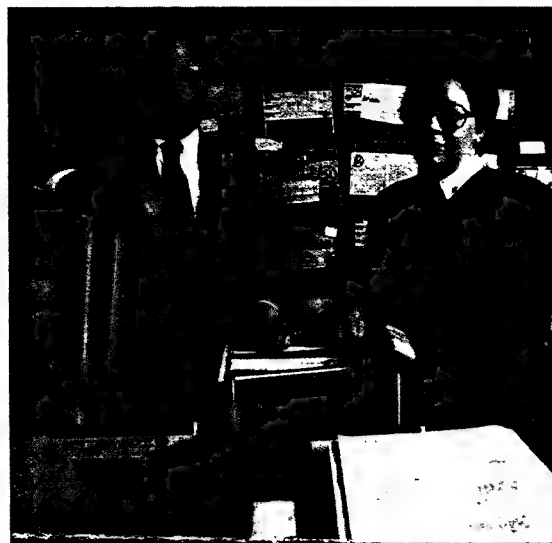
A reporter's death fuels theories about a conspiracy

Danny Casolaro couldn't have come up with a better plot. Casolaro, 44, was a Washington-based freelance reporter who was working on a bombshell book—a megexposé that, he said, involved the Iran-contra scandal, the October Surprise, the Bank of Credit and Commerce International and a pattern of allegedly shady dealings by the Reagan Justice Department. On Aug. 10 Casolaro was found dead in the bathtub of a motel room in Martinsburg, W. Va., an apparent suicide. By the time his family was notified two days later, Casolaro's body had already been embalmed—and there was no trace of his notes. Family members were incredulous: Danny, they said, wasn't the type to kill himself, and he had gone to Martinsburg to interview a pivotal source on the wide-ranging government conspiracy he called "the Octopus." Worse yet, his brother told reporters, Danny had recently said "don't believe it" if he somehow met with a mysterious accident.

All this might seem to be the stuff of a superheated imagination were it not for the fact that Washington is awash with conspiracy theories about the BCCI scandal and the so-called October Surprise. Casolaro's entry point for this maze of rumor and innuendo was the Inslaw case, which has been simmering since 1983. Inslaw was a Washington-based computer-software company that went bankrupt in 1985 after a bitter dispute with the U.S. Justice Department. Its owners, William and Nancy Hamilton, charge that department officials deliberately conspired to steal an Inslaw case-management computer program and drive the company into bankruptcy. Despite denials from the Justice Department, that claim has now been upheld by two different federal judges; the case, after a successful appeal by the government, is headed for a new trial. But the Hamiltons also say their dispute with the Reagan Justice Department has a more



Looking for a link: Danny Casolaro (right), Inslaw owners William and Nancy Hamilton (below) and the U.S. hostages in Iran



WALTER CALAHAN

sinister dimension. Inslaw's feud with Justice, they claim, is directly linked to associates of former attorney general Edwin Meese III and to the October Surprise—the alleged attempt by Ronald Reagan's 1980 presidential campaign to delay the release of U.S. hostages in Iran in order to prevent Jimmy Carter's re-election.

Enter Joseph Daniel Casolaro. Casolaro, who had previously published fiction and done some freelance reporting for a Washington-area newsletter, began investigat-

ing the Inslaw case in 1990. He tried and failed to get a book contract, then borrowed heavily to finance his own research. His brother, Dr. Anthony Casolaro, said Danny believed he had uncovered evidence of a shadowy conspiracy linking Inslaw, the October Surprise, Iran-contra and BCCI. That was "the Octopus," which Dr. Casolaro said seemed to be a loose network of individuals, including some Americans, who did clandestine operations for profit. Friends said Casolaro had had a tough time with his research—but recently, his brother said, Danny was elated by a seeming breakthrough.

That led Casolaro to Martinsburg, where he expected to meet a source who had evidence of computer-hardware thefts from a major defense contracting firm. Then Casolaro was found in the bathtub with his wrists slashed. There was a suicide note, written in handwriting Casolaro's sister identified as Casolaro's own: "To those whom I love the most, please forgive me for the worst possible thing I could have done," the note read. "I'm sure God will let me in." State officials said Casolaro's death was "not inconsistent with suicide," and the FBI, after reviewing the autopsy, said it had no interest in investigating further. Protests from the family—and questions from reporters—forced state officials to dig deeper. Last week investigators suggested that his financial problems might have made Danny despondent: he had taken out a loan on his home in suburban Virginia and borrowed from a relative as well. The evidence, though inconclusive, pointed to suicide.

But the doubts persist. Last week former U.S. attorney general Elliot Richardson, who is representing Inslaw in its case against the government, called for the appointment of a special prosecutor to investigate the company's lawsuit against the Justice Department and, now, Casolaro's death. "It's hard to come up with any reason for [Casolaro's] death other than that he was deliberately murdered because he was so close to uncovering sinister elements in what he called 'the Octopus,'" Richardson told *The Boston Globe*. In Washington, meanwhile, the House Judiciary Committee is headed for a showdown with the Justice Department on the Inslaw case. In late July, after Justice officials said several key files were missing, committee chairman Jack Brooks of Texas issued a subpoena for all departmental records on the dispute. At this point, no one really knows where the congressional investigation may lead.

TOM MORGANTHAU with CLARA BINGHAM in Washington

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JIB-LA 115702-75



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LDI Corporation

August 20, 1991

[redacted]
Federal Bureau of Investigation
11000 Wilshire Blvd., Suite 1700
Los Angeles, CA 90024

Re: Financial News Network, Inc. ("FNN")

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Dear [redacted]

Your name was given to me as the appropriate person to contact with respect to an investigation into possible criminal misconduct by the referenced company, its officers and its former officers. I have tried to reach you by telephone several times over the past month to advise you of certain conduct by a [redacted] currently employed as [redacted] of FNN.

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LDI Corporation is the successor by merger to LDI Financial Services Corp., which entered into several lease transactions with FNN. The preponderance of equipment acquired by LDI for lease to FNN was obtained from Telecommunications Industries Inc. dba Micro Research Industries ("Micro Research"), located at 3027 Rosemary Lane, Falls Church, Virginia 22042, a wholly-owned subsidiary of Infotechnology, Inc., which, in turn, owned a majority of the shares of FNN. As a condition to its purchase of the equipment, LDI required receipt of a bill of sale from its seller, acknowledging receipt of the funds and transferring good title of the equipment to LDI. When I first approached Micro Research to obtain such a bill of sale, I was informed by [redacted] of Micro Research that only two officers were authorized to sign such an instrument on behalf of the company-- [redacted] subsequently called me to say that he would be willing to sign the bill of sale and upon receipt of a conditional bill of sale signed by [redacted] LDI released its purchase funds to Micro Research.

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I am of the firm opinion that [redacted] knew or should have known at the time of his execution of the bill of sale that (a) Micro Research did not have title to the equipment and (b) LDI would rely, to its detriment, on this instrument, thereby fraudulently inducing LDI to wire transfer funds to Micro Research's account.

LDI paid Micro Research \$4,542,003 over a period of approximately five (5) months following this same type of scenario.

Letter to [redacted]
August 20, 1991
Page Two

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It has been suggested to me that the appropriate FBI office to conduct an investigation into these allegations would be the one based in Virginia, the location of the company that fraudulently induced IDI to part with its money. However, it was further suggested that if there is an ongoing investigation into the affairs of FNN, that the office handling that investigation would be the appropriate base to advise of any potential criminal activities.

I would be happy to discuss the allegations contained in this letter with you or any other agent investigating any misconduct against FNN. You may reach me during the day at [redacted]

Sincerely,

b6
b7C

[redacted]

DJD:br
/081901-D1



LDI Corporation

August 20, 1991

[redacted]
Federal Bureau of Investigation
11000 Wilshire Blvd., Suite 1700
Los Angeles, CA 90024

b6
b7C

Re: Financial News Network, Inc. ("FNN")

Dear [redacted]

Per our telephone conversation, enclosed are copies of the Conditional Bill of Sale with Equipment Schedules A1 and A2 and the Final Bill of Sale with Equipment Schedules A1 and A2. Also enclosed is a copy of notes I made of a conversation with [redacted]

[redacted] One of these two individuals told me that either [redacted] [redacted] could execute the bill of sale on behalf of Telecommunications Industries, Inc.

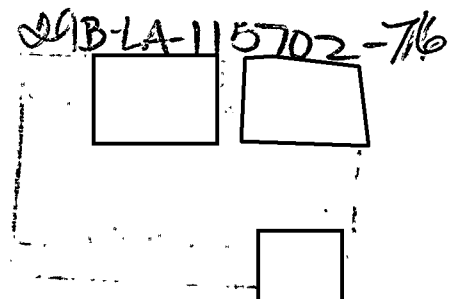
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Should you have any questions, please call me at [redacted]

Sincerely,



DJD:br
/082001-D1



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Journal Home
Refined

CONDITIONAL BILL OF SALE

For valuable consideration, the receipt of which is acknowledged, TELECOMMUNICATIONS Industries, Inc. d/b/a Micro Research Industries ("SELLER") hereby sells and transfers its right(s), and interest(s) in the equipment described in Schedule A attached hereto (the "Equipment"), to LDI Financial Services Corp. ("BUYER"), conditioned only upon payment of the Purchase Price of \$1,046,405.00 between BUYER and SELLER, and upon such payment this conveyance shall automatically and without further action by any party become unconditional.

SELLER hereby represents and warrants to BUYER that SELLER is the absolute owner of said Equipment and that said Equipment is free and clear of all mortgages, claims, liens, charges, equities and encumbrances whatsoever. SELLER makes no other representation or warranty of any kind whatsoever, including any warranty of fitness for purpose or merchantability of the Equipment.

SELLER, for itself and its successors and assigns, further covenants and agrees to do, execute and deliver all such further acts, transfers and assurances, as the case may be, requested by BUYER for the purpose of conveying and confirming unto BUYER and its successors and assigns the title to the Equipment hereby conveyed.

IN WITNESS WHEREOF, SELLER has caused this Conditional Bill of Sale to be executed and delivered as of the 31st day of August, 1989.

SELLER: TELECOMMUNICATIONS INDUSTRIES, INC.
D/B/A MICRO RESEARCH INDUSTRIES

By:

Name:

Title:

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EQUIPMENT SCHEDULE A1

| QUAN | MANUFACTURER | MODEL | DESCRIPTION | SERIAL # | U/COST | EXTENSION |
|------|--------------|-----------|--------------------------|-----------|--------|-----------|
| 100 | IKEGAMI | PVM5-9 | 9" B/W MONITOR | 3488-3587 | 250 | 25,000 |
| 50 | IKEGAMI | PV-OP10 | BRACKET | NONE | 75 | 3,750 |
| 4 | B.I.E. | 3013 | CART MACHINE SHELF | NONE | 75 | 300 |
| 12 | OMNI | SB-730 | BRACKET | NONE | 35 | 420 |
| 5 | RAMSA | WP-9220 | AMP INCL. CABLE ASSY | NONE | 814 | 4,070 |
| 8 | JBL | 4425 | SPEAKER | M417-M424 | 710 | 5,680 |
| 2 | OTARI | MX5050B2 | 2 TRACK RECORDER/1/4" | 00816,7 | 2,195 | 4,390 |
| 3 | JBL | 4604B | STAGE MONITOR | 525,6,7 | 630 | 1,890 |
| 2 | JBL | 4406 | SPEAKER | 18102,3 | 140 | 280 |
| 2 | SONY | BVW105 | CAMERA | CC814,5 | 17,850 | 35,700 |
| 2 | SONY | A14X9BERM | BERM/B LENS A1 | R092,3 | 4,930 | 9,860 |
| 9 | SONY | BVH3100 | 1" VIDEO TAPE RECDR | S1682-90 | 28,950 | 260,550 |
| 9 | SONY | BKH3010 | TIME BASE CORRECTOR | K1303 | 1,470 | 13,230 |
| 14 | SONY | SLR102 | RAIL | NONE | 123 | 1,722 |
| 14 | SONY | PVM12710 | MONITOR | H243-H256 | 875 | 12,250 |
| 2 | STRAND | CD80 | DIMMER RACK, CAP. 192 | K516,7 | 9,469 | 18,938 |
| 2 | STRAND | RS | RECEPTICLE STATION | NONE | 104 | 208 |
| 96 | STRAND | 2.KW | DUAL DIMMER MODULE | NONE | 426 | 40,896 |
| 1 | STRAND | 2S48 | 48 CHANNEL W/PATCH | 48010 | 4,284 | 4,284 |
| 1 | STRAND | CD80 | DIMMER RACK | 46238 | 9,469 | 9,469 |
| 1 | STRAND | -- | RECEPTICLE STATION | NONE | 104 | 104 |
| 48 | STRAND | DM2.4 | DUAL DIMMER MODULE 2.4KW | NONE | 421 | 20,208 |
| 1 | STRAND | 2S24 | MANTRIX 2S 24 CHANNEL | NONE | 3,156 | 3,156 |
| 1 | STRAND | -- | SYSTEM CHECK | NONE | 1,419 | 1,419 |
| 1 | HUGHES | E130 | ELECTRICAL DISTRIB. SYST | KH33083 | 21,543 | 21,543 |
| 3 | HITACHI | SK97 | STUDIO CAMERA | 8732,3,4 | 43,500 | 130,500 |
| 3 | HITACHI | -- | 5" VIEWFINDER/SK97 | NONE | 726 | 2,178 |
| 3 | HITACHI | --- | STUDIO CONVERSION KIT | NONE | 750 | 2,250 |
| 3 | FUJINON | 30R | SERVO ZOOM | NONE | 640 | 1,920 |
| 4 | HITACHI | 30M | 100FT CAMERA CABLE | NONE | 750 | 3,000 |

TOTAL

639,165 ✓

EQUIPMENT SCHEDULE A2

| QUAN | MANUFACTURER | MODEL | DESCRIPTION | SERIAL # | U/COST | EXTENSION |
|------|--------------|-------------|---------------------|-------------|---------|-----------|
| 2 | SONY | BVM1910 | MONITOR | 286,7 | 5,304 | 10,608 |
| 2 | SONY | BKM2000 | RACK MOUNT | NONE | 320 | 320 |
| 7 | SONY | BVW70 | VCR | C4074-C4080 | 22,756 | 159,292 |
| 2 | SONY | BVS500 | AUDIO SWITCHER | 983,4 | 2,464 | 4,928 |
| 6 | SONY | BK2006 | REMOTE CONTROL | 307-312 | 704 | 4,224 |
| 2 | SONY | BVV1A | RECORDER | 1886,7 | 6,783 | 13,566 |
| 2 | SONY | BVP5 | CAMERA | 14005,6 | 10,710 | 10,710 |
| 1 | SONY | BVC10PAC1SP | BETACART SYSTEM | 1616E | 165,120 | 165,120 |
| 1 | SONY | BZC021 | BETACART ACCESS. | 808 | 2,580 | 2,580 |
| 1 | SONY | BVR11 | BETACART ACCESS. | 4646 | 3,010 | 3,010 |
| 1 | SONY | BVR12 | BETACART ACCESS. | 3109 | 1,892 | 1,892 |
| 1 | SONY | BVBP11 | BETACART ACCESS. | 143 | 4,730 | 4,730 |
| 1 | SONY | BVR20PAC1 | BETACART ACCESS. | NONE | 494 | 494 |
| 1 | SONY | PVM123 | BETACART ACCESS. | NONE | 540 | 540 |
| 2 | SONY | A14X9 | LENS | RM5755 | 4,930 | 9,860 |
| 3 | SONY | BK801 | EDIT SYSTEM ACCESS. | 378 | 1,584 | 4,752 |
| 4 | SONY | BK802 | EDIT SYSTEM ACCESS. | NONE | 356 | 1,424 |
| 10 | SONY | PVM2030A | 20" COLOR MONITOR | 202-211 | 661 | 6,610 |
| 2 | SONY | PVM2530A | 25" COLOR MONITOR | M172,3 | 898 | 1,796 |
| 1 | SONY | MB504 | MOUNTING BRACKET | NONE | 85 | 85 |
| 1 | SONY | CVM1271 | MONITOR | CM617 | 699 | 699 |

TOTAL

407,240

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS THAT: The undersigned, Telecommunications Industries, Inc. d/b/a Micro Research Industries, a Delaware corporation with its principal place of business at 1951 Kidwell Drive, Vienna, Virginia 22180 (herein called the "Seller"), for and in consideration of the sum of \$1,046,405.00 paid to Seller by IDI Financial Services Corp., an Ohio corporation, with its principal place of business at 1375 East Ninth Street, Suite 700, Cleveland, Ohio 44114 (herein called the "Buyer"), and other good and valuable consideration, receipt of which is hereby acknowledged, does hereby grant, bargain, sell, assign, transfer and set over unto Buyer, its successors and assigns, all right, title and interest of Seller in and to the personal property described in Exhibit A, together with all parts and accessories attached thereto (all such personal property, parts and accessories being herein collectively called the "Equipment"), TO HAVE AND TO HOLD for its and their own use and benefit forever.

Seller hereby represents and warrants to the Buyer and its successors and assigns that Seller has good and marketable title to the Equipment which will be duly vested in the Buyer free and clear of all claims, liens, encumbrances and rights of other of any nature. Seller hereby covenants and agrees to defend such title forever against all claims and demands whatsoever.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be executed and delivered by its duly authorized officer this 31st day of August, 1989.

TELECOMMUNICATIONS INDUSTRIES, INC.
D/B/A MICRO RESEARCH INDUSTRIES

By: _____

(Authorized Signature)

(Typed Name and Title)

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EQUIPMENT SCHEDULE A1

| QUAN | MANUFACTURER | MODEL | DESCRIPTION | SERIAL # | U/COST | EXTENSION |
|------|--------------|-----------|--------------------------|-----------|--------|-----------|
| 100 | IKEGAMI | PVM5-9 | 9" B/W MONITOR | 3488-3587 | 250 | 25,000 |
| 50 | IKEGAMI | PV-OP10 | BRACKET | NONE | 75 | 3,750 |
| 4 | B.I.E. | 3013 | CART MACHINE SHELF | NONE | 75 | 300 |
| 12 | OMNI | SB-730 | BRACKET | NONE | 35 | 420 |
| 5 | RAMSA | WP-9220 | AMP INCL. CABLE ASSY | NONE | 814 | 4,070 |
| 8 | JBL | 4425 | SPEAKER | M417-M424 | 710 | 5,680 |
| 2 | OTARI | MX5050B2 | 2 TRACK RECORDER/1/4" | 00816,7 | 2,195 | 4,390 |
| 3 | JBL | 4604B | STAGE MONITOR | 525,6,7 | 630 | 1,890 |
| 2 | JBL | 4406 | SPEAKER | 18102,3 | 140 | 280 |
| 2 | SONY | BVW105 | CAMERA | CC814,5 | 17,850 | 35,700 |
| 2 | SONY | A14X9BERM | BERM/B LENS A1 | R092,3 | 4,930 | 9,860 |
| 9 | SONY | BVH3100 | 1" VIDEO TAPE RECDR | S1682-90 | 28,950 | 260,550 |
| 9 | SONY | BKH3010 | TIME BASE CORRECTOR | K1303 | 1,470 | 13,230 |
| 14 | SONY | SLR102 | RAIL | NONE | 123 | 1,722 |
| 14 | SONY | PVM1271Q | MONITOR | H243-H256 | 875 | 12,250 |
| 2 | STRAND | CD80 | DIMMER RACK, CAP. 192 | K516,7 | 9,469 | 18,938 |
| 2 | STRAND | RS | RECEPTICLE STATION | NONE | 104 | 208 |
| 96 | STRAND | 2.KW | DUAL DIMMER MODULE | NONE | 426 | 40,896 |
| 1 | STRAND | 2S48 | 48 CHANNEL W/PATCH | 48010 | 4,284 | 4,284 |
| 1 | STRAND | CD80 | DIMMER RACK | 46238 | 9,469 | 9,469 |
| 1 | STRAND | -- | RECEPTICLE STATION | NONE | 104 | 104 |
| 48 | STRAND | DM2.4 | DUAL DIMMER MODULE 2.4KW | NONE | 421 | 20,208 |
| 1 | STRAND | 2S24 | MANTRIX 2S 24 CHANNEL | NONE | 3,156 | 3,156 |
| 1 | STRAND | -- | SYSTEM CHECK | NONE | 1,419 | 1,419 |
| 1 | HUGHES | E130 | ELECTRICAL DISTRIB. SYST | KH33083 | 21,543 | 21,543 |
| 3 | HITACHI | SK97 | STUDIO CAMERA | 8732,3,4 | 43,500 | 130,500 |
| 3 | HITACHI | -- | 5" VIEWFINDER/SK97 | NONE | 726 | 2,178 |
| 3 | HITACHI | -- | STUDIO CONVERSION KIT | NONE | 750 | 2,250 |
| 3 | FUJINON | 30R | SERVO ZOOM | NONE | 640 | 1,920 |
| 4 | HITACHI | 30M | 100FT CAMERA CABLE | NONE | 750 | 3,000 |

TOTAL

639,165

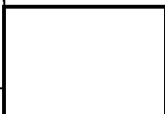
EQUIPMENT SCHEDULE A2

| QUAN | MANUFACTURER | MODEL | DESCRIPTION | SERIAL # | U/COST | EXTENSION |
|------|--------------|-------------|---------------------|-------------|---------|-----------|
| 2 | SONY | BVM1910 | MONITOR | 286,7 | 5,304 | 10,608 |
| 2 | SONY | BKM2000 | RACK MOUNT | NONE | 320 | 320 |
| 7 | SONY | BVW70 | VCR | C4074-C4080 | 22,756 | 159,292 |
| 2 | SONY | BVS500 | AUDIO SWITCHER | 983,4 | 2,464 | 4,928 |
| 6 | SONY | BK2006 | REMOTE CONTROL | 307-312 | 704 | 4,224 |
| 2 | SONY | BVV1A | RECORDER | 1886,7 | 6,783 | 13,566 |
| 2 | SONY | BVP5 | CAMERA | 14005,6 | 10,710 | 10,710 |
| 1 | SONY | BVC10PAC1SP | BETACART SYSTEM | 1616E | 165,120 | 165,120 |
| 1 | SONY | BZC021 | BETACART ACCESS. | 808 | 2,580 | 2,580 |
| 1 | SONY | BVR11 | BETACART ACCESS. | 4646 | 3,010 | 3,010 |
| 1 | SONY | BVR12 | BETACART ACCESS. | 3109 | 1,892 | 1,892 |
| 1 | SONY | BVBP11 | BETACART ACCESS. | 143 | 4,730 | 4,730 |
| 1 | SONY | BVR20PAC1 | BETACART ACCESS. | NONE | 494 | 494 |
| 1 | SONY | FVM123 | BETACART ACCESS. | NONE | 540 | 540 |
| 2 | SONY | A14X9 | LENS | RM5755 | 4,930 | 9,860 |
| 3 | SONY | BK801 | EDIT SYSTEM ACCESS. | 378 | 1,584 | 4,752 |
| 4 | SONY | BK802 | EDIT SYSTEM ACCESS. | NONE | 356 | 1,424 |
| 10 | SONY | FVM2030A | 20" COLOR MONITOR | 202-211 | 661 | 6,610 |
| 2 | SONY | FVM2530A | 25" COLOR MONITOR | M172,3 | 898 | 1,796 |
| 1 | SONY | MB504 | MOUNTING BRACKET | NONE | 85 | 85 |
| 1 | SONY | CVM1271 | MONITOR | CM617 | 699 | 699 |

TOTAL

407,240✓

8/30/89



@ Virginia's State Corporation Commission

- Telecommunication Industries Corporation

6/1/87 D.C. corporation

- Micro Research Industries a trade name

T.I. Industries, Inc. - Revoked 9/1/88

Non-payment of annual fee

3-5 days

Restatement

8/30/89 -

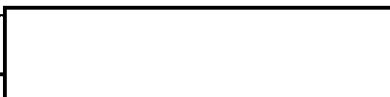
10:30

discussed above w/



He's going to touch base w/ his attorney
and have her call me.

8/30/89



^{w/} Infotech / had been a principal shareholder of TII.

The registered agent didn't follow up



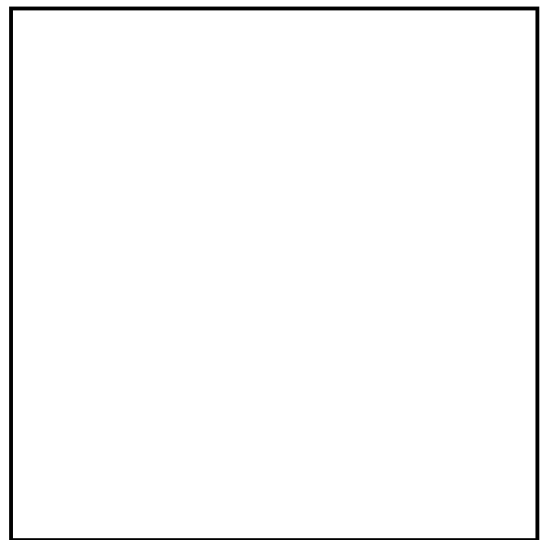
an officer of TII.
.. ..

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2
0.1 2
1



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b7C



Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-3)

Date 9/4/91

From : SA [redacted]

b6
b7C

Subject: EARL W. BRIAN - CEO;
[redacted]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER
SECURITY PACIFIC NATIONAL BANK
LOS ANGELES, CALIFORNIA

On 8/20/91, [redacted]
[redacted] LDI CORPORATION, 30033 Clemens Road, Westlake, Ohio.
[redacted] telephone [redacted] telephonically contacted SA [redacted]
[redacted] regarding above captioned matter.

[redacted] advised that LDI had entered into approximately seven lease agreements with FINANCIAL NEWS NETWORK (FNN), and other EARL BRIAN entities, specifically MICRO RESEARCH INC. (MRI). LDI entered into a sale leaseback agreement with MRI for production equipment. LDI never physically observed the equipment they purchased. [redacted] FNN was the person responsible for signing the lease documents on behalf of MRI claiming good Title to the equipment. [redacted] has recently discovered MRI did not have good Title to the leased production equipment.

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[redacted] suggested SA [redacted] travel to Westlake, Ohio, to interview [redacted] and review LDI documents regarding the seven lease transactions. [redacted] will send SA [redacted] a copy of a few documents relating to these transactions.

[redacted]
(2)

29B-LA-115702-77

b6
b7C



FEDERAL BUREAU OF INVESTIGATION
LOS ANGELES FIELD OFFICE
11000 WILSHIRE BLVD., SUITE 1700
LOS ANGELES, CA. 90024
TELEPHONE (213)477-6565 FACSIMILE (213)445-3507



CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

PRECEDENCE:

☐ IMMEDIATE
☐ PRIORITY
☒ ROUTINE

TO: Legat, Ottawa

ATTENTION: [Redacted]

FAX #: 613 238 4208

FROM: FBI Los Angeles / SA [Redacted]

TELEPHONE: 213 477 6565

SUBJECT: Earl W. Brian

PAGES SENT (INCLUDING COVER PAGE): 4

DATE: 10/2/91 DAB-LA-115702-70

APPROVED [Redacted]

REC.

INT.

**DATE
TIME**

10/3
530 AM

SENT

INT.

**DATE
TIME**

b6
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SAC NOTE

10/11/91

TO: SAC, LOS ANGELES

FROM: SSA [REDACTED]

SUBJECT: EARL W. BRIAN, CEO;
[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF

OO: LOS ANGELES
(CASE AGENT: SA [REDACTED])

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Re 5X8 to SAC, dated 10/3/90.

For information of SAC, Los Angeles, captioned matter involves a fraud of approximately \$70 million to SECURITY PACIFIC NATIONAL BANK, Los Angeles. Financial statements submitted to support the approval and funding of a \$70 million line of credit to both FINANCIAL NEWS NETWORK (FNN) and INFOTECHNOLOGY companies owned and operated by Dr. EARL W. BRIAN, contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets and ~~base~~ ^{case} commitments.

Within the next 90 days, approximately twenty individuals will be interviewed by FBI, Los Angeles in the New York, Washington, D. C., and Fort Lee, Virginia areas. These interviews will include captioned individuals. Due to the nature of the fraud and the high profile of the interviewees, it is possible that news media inquiries will be initiated. This is being brought to the attention of SAC, Los Angeles due to the recent news media inquiries and interest.

[REDACTED] b6
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Dr. BRIAN is known to be a close associate of ROBERT M. GATES, CIA Director nominee. GATES is not mentioned or involved in this case. FBIHQ is aware of BRIAN's relationship with GATES.

- 1 - SAC
- 1 - EACH ASAC
- 1 - MEDIA COORDINATOR
- 1 - NIGHT SUPV.
- 1 - 80-33
- ⑦ - 29B-LA-115702

29B-LA-115702-79

[REDACTED] b6
b7C

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1496053-000

Total Deleted Page(s) = 52
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Page 23 ~ b5; b6; b7C; b7D;
Page 24 ~ b5; b6; b7C;
Page 25 ~ b5; b6; b7C;
Page 33 ~ b3;
Page 34 ~ b3; b6; b7C;
Page 50 ~ b6; b7C;
Page 51 ~ Duplicate;
Page 52 ~ b6; b7C;
Page 53 ~ b6; b7C;
Page 54 ~ b6; b7C;
Page 55 ~ b6; b7C;
Page 56 ~ b6; b7C;
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Page 61 ~ Duplicate;
Page 62 ~ b6; b7C;
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Page 75 ~ b6; b7C;
Page 77 ~ b6; b7C;
Page 78 ~ b6; b7C;
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Page 100 ~ b6; b7C; b7D;
Page 101 ~ b6; b7C; b7D;
Page 121 ~ Duplicate;
Page 124 ~ Referral/Direct;
Page 125 ~ Referral/Direct;
Page 126 ~ Referral/Direct;
Page 127 ~ Referral/Direct;
Page 128 ~ Referral/Direct;
Page 129 ~ Referral/Direct;
Page 130 ~ Referral/Direct;

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File - Serial Charge Out
FD-5 (Rev. 10-13-89)

Date 4-11-96

File 29B LA 115702
Class. Office of Origin Case No. Last Serial

☒ Pending

☐ Closed

| Serial No. | Description of Serial | Date Charged |
|------------|----------------------------|--------------|
| | FD-302's Transferred | |
| | to SUB-302 VOLUME | |
| | Missing 302's transferred. | |
| | | |
| | | |
| | | |
| | PERMANENT CHARGE OUT | |
| | DO NOT REMOVE OR DESTROY | |

PERMANENT CHARGE OUT
DO NOT REMOVE

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:39

Case ID: 29B-LA-115702 Serial: 80

Description of Document:

Type : FD302

Date : 09/17/91

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 127

Employee:

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:41

Case ID: 29B-LA-115702 Serial: 81

Description of Document:

Type : FD302

Date : 09/18/91

To : LOS ANGELES

From

Topic

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 130

Employee

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:40

Case ID: 298-LA-115702 Serial: 82

Description of Document:

Type : FD302

Date : 09/18/91

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

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Transferred to:

Case ID: 298-LA-115702-302 Serial: 129

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:40

Case ID: 29B-LA-115702 Serial: 83

Description of Document:

Type : FD302

Date : 09/18/91

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

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Transferred to:

Case ID: 29B-LA-115702-302 Serial: 128

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:41

Case ID: 29B-LA-115702 Serial: 84

Description of Document:

Type : FD302

Date : 09/19/91

To : LOS ANGELES

From :

Topic:

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Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 131

Employee:

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-3) (P)

Date 10/17/91

From : SA [REDACTED]

Subject: EARL W. BRIAN, CEO;
[REDACTED]

b6
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FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 9/17/91, SA [REDACTED] met with [REDACTED]
[REDACTED] Senior Corporate Attorney, LDI CORPORATION, 33003 Clemens
Road, Westlake, Ohio, telephone [REDACTED] regarding above
captioned matter.

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LDI CORPORATION (LDI) entered into seven lease
transactions with FINANCIAL NEWS NETWORK (FNN). In August, 1990,
FNN stopped payments on all seven leases with LDI. After review
of LDI's lease files involving FNN, the following was noted in
LDI's lease work papers:

BRIAN has been the Chairman of the Board and Chief
Executive Officer (CEO) of FNN since 1982. BRIAN has been the
Chairman of the Board and CEO of INFOTECHNOLOGY (INFO) since
1980. BRIAN has been the Chairman of the Board of UPI since 1988
and Director of a company called HADRON.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

29B-LA-115702-85

[REDACTED]

[REDACTED]

[REDACTED]

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[redacted] Other leasing companies that FNN did business with were of JOHN HANCOCK LEASING. [redacted] can be contacted at [redacted] telephone [redacted]

[redacted] Attorney, HOCHFELDER AND WEININGER, represents DOLLAR DRYDOCK BANK. [redacted] can be contacted at 81 Main Street, White Plains, New York, telephone [redacted]

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[redacted] SENTRY FINANCIAL, can be contacted at 3450 South Highland Drive, Suite 201, Salt Lake City, Utah, telephone [redacted]

[redacted] ALLY CAPITAL, can be reached at 85 Liberty Ship Way, Suite 203, Sausalito, California, telephone [redacted]

FNN claims to own \$88 million in leased equipment. \$40 million of this equipment are supposedly data receivers, \$40 million is broadcast equipment, and \$8 million is miscellaneous. DELOITTE AND TOUCHE CPA'S claim that approximately \$5 million in leased broadcasting equipment is missing.

The insurance carrier for the LDI leases on the FNN equipment is FRANK B. HALL COMPANY, 3200 Wilshire Boulevard, Los Angeles, telephone (213) 386-8553.

In the LDI files, FNN's revenue in 1988 was \$28.7 million and their net income was \$1.2 million.

FNN officials advised LDI that the equipment being purchased was purchased from a company called MICRO RESEARCH INDUSTRIES (MRI). MRI provided invoices evidencing their ownership of this equipment. MRI holds a bank account at FIRST VIRGINIA BANK in Arlington, Virginia, ABA Number [redacted] Account [redacted]

b4

29B-LA-115702

The first lease that FNN and LDI entered into was for various equipment. CIT was the lender on this lease and the various equipment totaled \$1.5 million.

The second lease that FNN entered into with LDI was for new cable broadcasting equipment which totaled approximately \$483,000. The supplier and location of this equipment was MRI. In the LDI files there was a conditional bill of sale signed by [REDACTED] Other bills of sale were signed by [REDACTED] also representing TII.

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The third lease that FNN and LDI entered into was for 1,000 data receivers totaling \$687,000. MRI was to be the supplier for the equipment and the location of the equipment would be at DBC, 8300 Old Courthouse Road, Vienna, Virginia.

The fourth lease entered into totaled approximately \$846,000 of broadcast equipment. This lease was entered into on 2/1/90. The supplier and location of the equipment was MRI.

The fifth lease entered into was for 1,000 data receivers which totaled \$1.068 million. This lease was entered into on 2/20/90. Again, the supplier was MRI and the location of the equipment would be DBC. LDI bought this lease from USX CREDIT CORPORATION.

The sixth lease entered into was for 420 data receivers which totaled \$484,000. Again the supplier was MRI and the equipment was to be shipped to DBC.

The seventh lease held FNN as the lessee and LDI as the lessor, USX as the lender. The equipment was subleased to UPI by FNN and funded by USX. The lease total was for \$891,000. It was a purchase lease back from UPI. UPI sold the equipment to ALLY CAPITAL and ALLY CAPITAL became the lessor. ALLY CAPITAL then sold the lease to LDI.

The DELOITTE AND TOUCHE auditors believed that FNN inflated their revenue under a program for vertical blind intervals. The auditors believed that FNN inflated this revenue with its affiliated company, UPI. UPI paid for FNN's VBI receivable with proceeds generated from the sale of data receivers. These data receivers were originally owned by FNN and DBC. The data receivers were sold to third party leasing

companies. The VBI revenue was recorded by FNN, but should have reduced FNN revenue by approximately \$10.4 million for which FNN leased back the data receivers.

The auditors believed that approximately \$5 million in lease property is involved in duplicate leasing.

Another area that the auditors were concerned with was FNN:PRO. The FNN.PRO investment was to be written off by the auditors because a company called IRN should have been consolidated with FNN since it was an affiliate. The IRN investment was not recoverable by FNN and therefore, should have been written off for about \$29 million.

LDI leases two and four were sold to HOUSEHOLD COMMERCIAL FINANCIAL COMPANY BUSINESS EQUIPMENT CORP. (HCFS), P. O. Box 499, Waddell, Illinois, telephone (708) 954-7616. [redacted] of HCFS, conducted his own audit of the leased equipment. [redacted] audit revealed that most of the equipment could not be located. The items that could be located had the manufacturer's serial plates removed and replaced with MRI plates. [redacted] was the HCFS employee who audited the FNN Los Angeles facility with [redacted] on 11/30/90.

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[redacted] LDI, attended the creditor's meeting once FNN filed for bankruptcy. [redacted] can be contacted at telephone [redacted] During the meeting, FNN's management discussed the problems at FNN. FNN management believed that [redacted] stole approximately \$795,000. Management did not believe that there was any double leasing going on by [redacted] or FNN. \$17 million in lease proceeds went to UPI, but it is not known who had good title to this equipment.

It was discussed that MRI's ordinary course of business was and is to provide software and computer services to 400 Congressmen. MRI now claims that it was just an "agent" for FNN and UPI and never had title to the equipment. MRI officials state that they never bought data receivers from FNN. Most of the broadcast equipment was leased by MRI and owned by UPI.

FNN did business with a lot of leasing companies. Together, these leasing companies are trying to salvage whatever they can after FNN's bankruptcy. The following leasing companies were noted in the work papers of LDI:

29B-LA-115702

CIT - [REDACTED]

BANK SOUTHWEST, 101 North First Avenue, Phoenix,
Arizona

ALLY CAPITAL, [REDACTED] 85 Liberty Ship Way,
Sausalito, California, [REDACTED]

JOHN HANCOCK LEASING, Boston, Massachusetts,
(617-572-4799

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ELKO LEASING, 10259 Vista Sorrento Parkway,
San Diego, California

ATEL, 160 Sampson Street, 4th Floor, San Francisco,
California, [REDACTED]

U. S. LEASING, 733 Front Street, San Francisco

USX, 600 Grant Street, Pittsburgh, Pennsylvania

AMPLICON, 2020 East First Street, Suite 401,
Santa Ana, California

DANA COMMERCIAL CREDIT, 1300 Indian Wood Circle,
Maumee, Ohio

FINANCING FOR SCIENCE AND INDUSTRY, 10 Waterside,
Farmington, Connecticut, [REDACTED]

EQUITABLE INCOME, 1016 West 9th Avenue, Suite 100,
King of Prussia, Pennsylvania

FORD MOTOR COMPANY, 24551 Raymond Way, Suite 241,
El Toro, California, [REDACTED]

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CHRYSLER, 2000 Pal Street, Suite 1400, Emeryville,
California, [REDACTED]

29B-LA-115702

MNC, 502 Washington Avenue, Townsend, Maryland,

[REDACTED]

COMDISCO, 6111 North River Road, Rosemont, Illinois,

[REDACTED]

SIGNAL CAPITAL CORP., 505 14th Street, Suite 480,
Oakland, California

HCFS, 2700 Sanders, Prospect Heights, Illinois

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-3) (P)

Date 10/18/91

From : SA [redacted]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

b6
b7C

[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 9/18/91, SA [redacted] personally contacted the offices of DANA COMMERCIAL CREDIT CORPORATION (DCC) located in Toledo, Ohio. SA [redacted] reviewed the leasing documents of DCC. DCC entered into six different lease transactions with FINANCIAL NEWS NETWORK (FNN).

A review of DCC's documents revealed the following:

[redacted] FNN, New York,
1251 Avenue of the Americas, made a comment to [redacted]
[redacted] DCC, that FNN leased even the
kitchen sink three times.

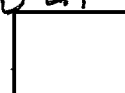
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HADRON is located at Aquidneck Avenue, Rhode Island, and also has an office located at 9900 Lee Highway, Room 500, Fairfax, Virginia.

[redacted] at FNN located in
the New York office.



29B-LA-115702-86



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29B-LA-115702

Telephone calls were made by DCC officials on all leases to verify that equipment DCC purchased from MICRO RESEARCH INDUSTRIES(MRI) to be leased to FNN did exist. Calls were made to [REDACTED] FNN, to verify that the equipment had been received by FNN from MRI.

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DCC is treating all six leases as true leases. This means that DCC takes ownership of the equipment at the term of the lease. DCC also gets the tax deduction of depreciation. It is DCC's understanding that FNN is treating these leases as capital leases and also entitling themselves to the depreciation expense.

DCC entered into lease number one in approximately August, 1989, for approximately \$2,050. The lease was for broadcasting equipment and was to be shipped to the offices of FNN. [REDACTED] Counsel, and [REDACTED] signed a "Certified Corporate Certificate of Resolutions".

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Lease number two was for approximately \$431,000 and was entered into with DCC and FNN in approximately December, 1989. This was MRI's invoice #1308. All lease agreements and financing statements were signed by [REDACTED]

Lease number three was for approximately \$732,000 and entered into between FNN and DCC in January, 1990. This was MRI's invoice #11089 and the equipment was to be shipped to FNN in Los Angeles.

Lease number four was entered into in April, 1990, and was for data receivers at a total of approximately \$1.3 million. The data receivers were to be shipped to DBC BROADCASTING.

Lease number five was also entered into in April, 1990, and was for 1,000 data receivers for a total of approximately \$1 million. This was an MRI invoice and the data receivers were to be shipped to DBC.

Lease number six was for \$481,000 for 825 more data receivers. The MRI invoice stated the receivers were to be shipped to DBC in Vienna, Virginia. This lease was entered into in June, 1990. The insurance carrier for all six leases was [REDACTED]

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29B-LA-115702

SECURITY PACIFIC LEASING CORPORATION is located at 4 Embarcadero Center, Suite 1200, San Francisco, California, telephone (415) 765-7332.

There was a note located in DCC's files addressed to DCC from [redacted] The note said that DCC officials were not to contact the vendors of the equipment. It was [redacted] responsibility and he would take care of it.

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-3) (P)

Date 10/18/91

From : SA [redacted]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

b6
b7C

[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 9/19/91, SA [redacted] met with [redacted]
[redacted] USX CREDIT (USX), 600 Grant Street,
Suite 1250, Pittsburgh, Pennsylvania. [redacted] provided SA [redacted]
with files of documentation regarding leases that USX entered
into with FINANCIAL NEWS NETWORK (FNN).

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After reviewing USX lease documents, the following was
noted:

The first lease USX entered into with FNN was in
approximately August, 1989. The lease was a secured non recourse
loan between USX and ALLY CAPITAL. The loan amount was for
approximately \$3.1 million. USX was the lender, ALLY was the
lessor, FNN was the lessee, and the sublessee was UPI.
Eventually, LDI took the place of ALLY CAPITAL as lessor.

[redacted] FNN, and
[redacted] INFOTECHNOLOGY (INFOTECH) was the signator on behalf
of UPI. [redacted] FNN, was the signator on
behalf of FNN. [redacted] signed consent and agreement
forms on behalf of FNN, and UPI.

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(2)

29B-LA-115702-87

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29B-LA-115702

UPI sold broadcasting equipment to ALLY CAPITAL. ALLY CAPITAL borrowed money from USX for the purchase of said equipment. ALLY then agreed to lease the equipment to FNN and UPI would sublease the equipment from FNN. The lease agreement stated that the aforementioned agreement was the purpose of the lease and this purpose should not be violated. UPI represented its principal business as being the sale of professional services. The terms of the agreement stated that within 30 days UPI and FNN needed to provide the lessor and lender with collateral, promissory notes, security agreements, and other loan documents.

[redacted] signed as corporate counsel on behalf of FNN. [redacted] also provided an opinion of counsel. [redacted] attorney, corporate counsel for UPI, also signed an opinion of counsel.

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A letter in the file dated 12/12/89, from [redacted] on behalf of UPI authorized distributing the proceeds of the original sale as follows:

ALLY CAPITAL was to receive \$161,070, MRI was to receive \$891,410, and UPI was to receive \$2,163,930. This was a total of approximately \$3.2 million. The UPI funds went into a Washington bank, account [redacted] ABA [redacted]

b4

In the file, a bill of sale was signed by [redacted] on behalf of UPI. The lease was a two part agreement involving a three year lease for \$2.2 million and five year lease for approximately \$900,000. The \$900,000 lease was for new equipment and the \$2.2 million lease was for used data broadcasting equipment. The equipment was apparently located at UPI in Dallas, Texas, Washington, D.C., and New York.

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Financial statements were required to be presented by FNN and UPI. Financial statements were presented, some audited and some unaudited. [redacted] signed the delivery and acceptance receipt once the equipment was purchased.

The second lease that USX entered into with FNN was a straight lease for approximately \$3 million. Again, it was a secured nonrecourse loan entered into in February, 1990. The lease agreement was for 2800 new satellite decoding computers.

29B-LA-115702

The computers were apparently being purchased from MICRO RESEARCH INDUSTRIES (MRI) to be used in FNN's 97% owned subsidiary DBC. The parties involved were ALLY CAPITAL as the lessor/borrower, the lessee was FNN and the lender was USX.

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-3) (P)

Date 10/21/91

From : SA [REDACTED]

Subject: EARL W. BRIAN
CHIEF EXECUTIVE OFFICER;

b6
b7C

[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 9/26/91, SA [REDACTED] and SA [REDACTED]
met with Assistant United States Attorney (AUSA) [REDACTED]
SA [REDACTED] and SA [REDACTED]
[REDACTED] regarding above captioned
matter.

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It was determined that the following areas will be the
basis of this FBI investigation:

PHASE I

[REDACTED]

(Handwritten mark)

(2)

29B-LA-115702-88

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:43

Case ID: 29B-LA-115702 Serial: 89

Description of Document:

Type : FD302

Date : 10/31/91

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 134

Employee:

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:42

Case ID: 298-LA-115702 Serial: 90

Description of Document:

Type : FD302

Date : 10/29/91

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 133

Employee:

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:44

Case ID: 29B-LA-115702 Serial: 91

Description of Document:

Type : FD302

Date : 10/31/91

To : LOS ANGELES

From:

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 135

Employee:

b6
b7C

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-3) (P)

Date 11/18/91

From : SA [REDACTED]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

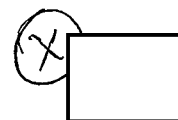
b6
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[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

SA [REDACTED] has been instructed by SSA [REDACTED] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date.

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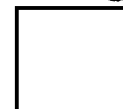
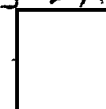
(2) - 29B-LA-115702

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29B-LA-115702-9



Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:42

Case ID: 29B-LA-115702 Serial: 93

Description of Document:

Type : FD302

Date : 10/29/91

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 132

Employee

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24B-LA-115702-94

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|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| JAN 24 1992 | |
| FBI — LOS ANGELES | |

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United States District Court

CENTRAL

DISTRICT OF

CALIFORNIA

COPY

TO:

SUBPOENA TO TESTIFY BEFORE GRAND JURY

SUBPOENA FOR:

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

PLACE

UNITED STATES COURTHOUSE
312 NORTH SPRING STREET
LOS ANGELES, CALIFORNIA 90012

COURTROOM:

1346B

DATE AND TIME

b3

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):*

(See Attachment)

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

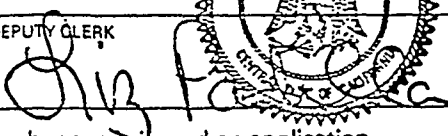
CLERK

LEONARD A.

DATE

September 13, 1991

(BY) DEPUTY CLERK



This subpoena is issued on application
of the United States of America

LOURDES G. BAIRD
UNITED STATES ATTORNEY

NAME ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Assistant United States Attorney
1300 United States Courthouse
312 North Spring Street
Los Angeles, California 90012
Telephone:

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*If not applicable, enter "none"

Agent:

(213 477-6565

X- 2236

NOTE:

AN AGENT OF THE FBI
WILL DELIVER THE ABOVE-MENTIONED DOCUMENTS TO
THE GRAND JURY SHOULD YOU DESIRE VOLUNTARILY
TO SURRENDER THEM TO THE GRAND JURY IN ADVANCE
OF THE GRAND JURY DATE INDICATED ABOVE.

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-3) (P)

Date 2/12/92

From : SA [redacted]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

b6
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[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 1/30/92, SA [redacted] met with AUSA [redacted]
[redacted] AUSA [redacted] and Forensic Auditor [redacted]
[redacted] regarding above captioned matter.

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29B-LA-115702-96

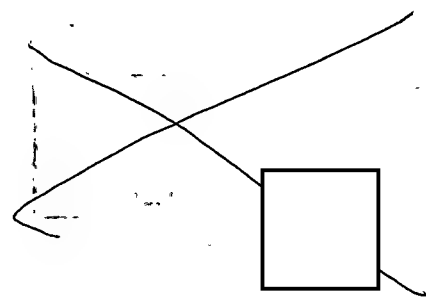
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29B-LA-115702



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(P)



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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-3) (P)

Date 2/21/92

From : SA [redacted]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

b6
b7C

[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 2/4/92, SA [redacted] met with AUSA [redacted]
[redacted] of the FIRREA Unit regarding asset forfeiture of the
above captioned case.

It was determined that the following information be
provided to AUSA [redacted]
[redacted] FINANCIAL NEWS
NETWORK (FNN), and EARL W. BRIAN, Chief Executive Officer, FNN:

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29B-LA-115702-97

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29B-LA-115702



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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:51

Case ID: 29B-LA-115702 Serial: 98

Description of Document:

Type : FD302

Date : 01/16/92

To : LOS ANGELES

From :

Topic:

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Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 138

Employee:

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:52

Case ID: 298-LA-115702 Serial: 98X1

Description of Document:

Type : FD302

Date : 01/16/92

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 139

Employee:

b6
b7C

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 2/28/92

From : SA [REDACTED]

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b7C

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

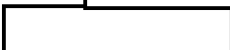
SA [REDACTED] has been instructed by SSA [REDACTED] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date.

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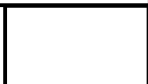


② - 29B-LA-115702

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29B-LA-115702-99

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| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| FEB 29 1992 | |
| FBI - LOS ANGELES | |

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 3/3/92

From : SA [REDACTED]

b6
b7C

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

This memo is to document a summary of the deposition of [REDACTED] FINANCIAL NEWS NETWORK (FNN) taken by the SECURITIES EXCHANGE COMMISSION SEC). [REDACTED] was deposed by the SEC regarding the alleged fraud committed by FNN officials and above captioned individuals.

[REDACTED] was told in July, 1990, by [REDACTED] FNN, that FNN payments made to CENTURY LEASING, CENTERPOINT, and SENTRY FINANCIAL were not lease payments and, therefore, [REDACTED] did not want these payments posted in FNN's books as lease payments. [REDACTED] advised that these payments were not lease payments and were equipment rental and professional services. [REDACTED] former FNN employee, and [REDACTED] were responsible for making these changes to FNN's general ledger. [REDACTED] made the new journal entries for professional services and equipment rental on [REDACTED] PC. The information was then transferred on to [REDACTED] PC.

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[REDACTED] had been anticipating sub-lease income from UPI to reduce FNN's lease expense. FNN performed services for UPI and part of the service included using equipment that was being leased. [REDACTED] advised [REDACTED] that UPI could reimburse FNN for their share of FNN's lease expense and this would not show up as a lease expense for FNN.

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29B-LA-115702-100
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SERIALIZED

MAR 10 1992

FBI - LOS ANGELES

29B-LA-115702

Payments to CENTURY LEASING and CENTERPOINT were first posted to lease expense in FNN's general ledger in July, 1989. [] was responsible for first coding check requests for these companies to lease expense. [] was responsible for preparing CENTERPOINT invoices for FNN. [] asked [] to type a paragraph on approximately five CENTERPOINT letterhead invoices provided to []. These invoices were prepared only after the DELOITTE AND TOUCHE auditors requested CENTERPOINT invoices. [] then coded these invoices as professional services.

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[] thought that the CENTERPOINT invoices stated that CENTERPOINT did preliminary work for FNN by utilizing some of FNN's communication technology in the European community. [] did not think these services were ever performed by CENTERPOINT.

The auditors asked [] for CENTERPOINT's address so that a standard confirmation could be sent. [] went to [] and advised [] of this. [] answered that "it was all right and the address given to the auditors in Houston for CENTERPOINT was a post office box that would ultimately come back to []". [] found out later that [] was working for a related company and had control of CENTERPOINT and ultimately made payments to CENTERPOINT. [] works for a company called INTEX located in New York City that INFOTECH has an interest in.

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[] discussed UPI's quarterly revenue figures with [] on occasion. [] would advise [] if the figures were right. [] never asked [] if he had backup for the actual data that was used to determine the quarterly revenue numbers for UPI.

[] of UPI and reported to BRIAN. [] also reported to BRIAN.

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[] provided [] with quarterly estimates of FNN's income and expenses. Each quarter these estimates were then reversed out. [] recalled the estimates being materially different than the actual income and expenses that FNN booked.

29B-LA-115702

[] felt that the DELOITTE auditors did not believe [] story that CENTURY LEASING was not an FNN lease. [] was just passing on information to the auditors that he had received from [] also advised the auditors that checks made payable to CENTERPOINT were not leases either. This is what [] had told [] passed this onto the DELOITTE auditors.

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[] worked for INFOTECHNOLOGY or ATLANTIC CONTRACT SERVICES. [] was brought into FNN to take over some of the bank relationships. []

[] worked for PARAMUS, a related FNN party.

The copy of the JOHN HANCOCK equipment lease schedule that FNN had was different from that of JOHN HANCOCK. [] was first aware that the two equipment schedules were different when [] brought it to his attention. [] brought the two leases to [] and said there was a problem. [] was surprised when he saw the different leases. [] mentioned the different leases to [] later said he looked into the matter and told [] that the incorrect schedule provided by FNN apparently was in a file kept at FNN as a suggested equipment schedule to be sold to JOHN HANCOCK. [] then advised [] of [] explanation. What had actually been sold to JOHN HANCOCK was production equipment that had been almost fully depreciated of a total of \$3 million.

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[] DELOITTE, took the position that there was a potential \$3.0 million discrepancy. It would make a \$3.0 million difference on FNN's bottom line. [] advised [] that per [] explanation that if the equipment is written off there would be a \$3.0 million gain from the sale of the FNN equipment and there would be no impact on the bottom line.

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DELOITTE had problems with the \$3.0 million of equipment staying on FNN's books. [] thought the way to correct the situation was to debit TELESOP equipment, credit a depreciated value of equipment and credit miscellaneous income.

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:53

Case ID: 298-LA-115702 Serial: 101

Description of Document:

Type : FD302

Date : 03/11/92

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 140

Employee:

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:53

Case ID: 29B-LA-115702 Serial: 102

Description of Document:

Type : FD302

Date : 03/12/92

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 141

Employee:

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:54

Case ID: 29B-LA-115702 Serial: 103

Description of Document:

Type : FD302

Date : 03/16/92

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 142

Employee:

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:55

Case ID: 29B-LA-115702 Serial: 104

Description of Document:

Type : FD302

Date : 03/26/92

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 143

Employee:

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TO: TELETYPE ROOM

RETURN TO:

DATE: 4/2/92

FILE NUMBER: 29B-LA-115702

Driver's License
☒ Data (L1)

Driver's License
☒ Photograph

Registered
☒ Vehicle Data

Los Angeles
☒ County Wants

CA State/NCIC
☒ Wants

CA State Criminal
☒ History (CM)*

NCIC Criminal
☒ History (III)*

10-28/Vehicle
☒ Registration

Name of Subject:

Alias(es):

Address:

Previous Address:

Driver's License Number:

Date of Birth (or approximate age):

Vehicle License Number and State:

Sex: ☒ Male ☐ Female

Social Security Number:

Height/Weight/Hair/Eyes:

Other Identifying Information (Specify):

Reason*:

Comments:

*Per DOJ, a reason for the request and a file number are mandatory.

29B-LA-115702-105

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|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| MAY 19 1992 | |
| FBI - LOS ANGELES | |

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 3/17/92

From : SA [REDACTED]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

b6
b7C

[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 3/17/92, SA [REDACTED] met with [REDACTED]

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[REDACTED] at the offices of [REDACTED]

Also present were [REDACTED]

and representing [REDACTED]

[REDACTED] is responsible for conducting [REDACTED]

[REDACTED] was present to question [REDACTED]

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[REDACTED] discussed [REDACTED]

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29B-LA-115702-106

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 6/10/92

From : SA [REDACTED]

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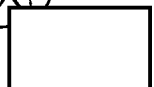
Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER:



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC.,
CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

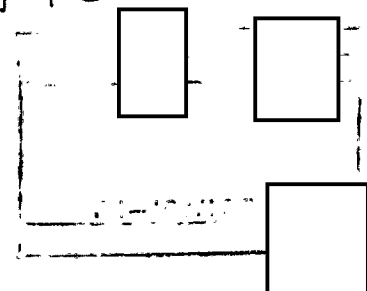
On 5/26/92, SA [REDACTED] telephonically
contacted AUSA [REDACTED] of the FIRREA Unit regarding
asset forfeiture of the above captioned case.

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29B-LA-115702-108

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 6/10/92

From : SA [REDACTED]

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b7C

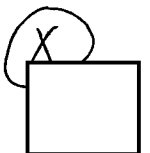
Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

SA [REDACTED] has been instructed by SSA [REDACTED] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date

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(2) - 29B-LA-115702

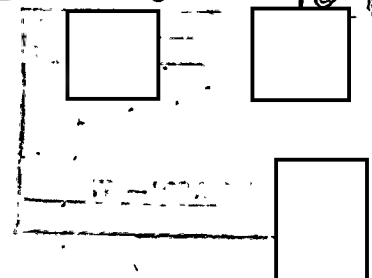
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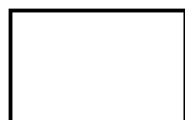


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29B-LA-115702 109





29B-LA-115702-110

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| SEARCHED | | INDEXED | |
| SERIALIZED | | FILED | |
| JUN 16 1962 | | | |
| FBI — LOS ANGELES | | | |

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INS LAW, Inc.

1125 15th Street, N.W., Washington D.C. 20005
(202) 828-8600 FAX: (202) 659-0755

To: [Redacted]

for your reading pleasure!

[Redacted]

DATE: 6-10-92

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PLEASE DELIVER AS SOON AS POSSIBLE

TO:

[Redacted]

COMPANY:

FAX NUMBER:

818-846-7742

FROM:

[Redacted]

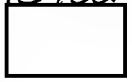
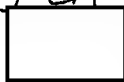
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MESSAGE:

This transmission consists of _____ pages, including cover sheet. If there are transmission problems, please call [Redacted].

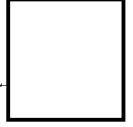
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29B-LA-115702-110



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1992



New charges loom for ex-CEO as judge OKs FNN bankruptcy plan

Los Angeles Business Journal

June 1, 1992

BY ANNE RACKHAM

Staff Reporter

A congressional report due to be released as early as this week is expected to link executives of the former Financial News Network in Culver City to the sale of stolen computer programs to foreign countries through U.S. Justice Department officials and the CIA. And new information surfaced last week in Bermuda about the possible siphoning and laundering of FNN money through a computer software company there.

Last year, prior to the charges about former FNN Chief Executive Officer Earl Brian's connection to the alleged computer technology theft and sale abroad, a source close to Brian told the Business Journal that the FNN money was moved to Bermuda to be invested in the selling of technology overseas.

News of the soon-to-be released report and the alleged Bermuda connection comes at a time when a U.S. Bankruptcy Court judge has just approved the Chapter 11 reorganization plan for what's left of Financial News Network Inc. The judge's confirmation order, however, is being appealed by cable channel CNBC, which bought FNN's media operations last year.

Under the reorganization deal, general creditors get about 60 percent of what they're owed and stockholders agree to drop litigation against almost all the company's top executives, including Brian, who walks away from the deal with a sev-

Please see FNN page 9

Continued from page 1

erance package.

But things may get sticky for Brian very soon, when the U.S. House Committee on the Judiciary releases its report on a three-year investigation into allegations that the Department of Justice stole computer software from a company called Inslaw Inc., software that later was sold to foreign governments. Now being cited as at the center of the alleged Inslaw conspiracy are Brian and other former FNN executives and attorneys. A committee member said the report is expected to be released this week.

FNN operated a cable business news channel from 1981 to 1991, when it sold its media operation to competing station CNBC, a subsidiary of the NBC Television Network, as part of a Chapter 11 bankruptcy reorganization.

Shortly after FNN went broke, its stockholders filed lawsuits alleging that the company's top executives siphoned FNN money into other companies and secret bank accounts, including accounts in Bermuda, took huge salaries and bonuses for themselves, defrauded them about the company's financial position and eventually bled FNN dry and drove it to financial ruin.

The FNN stockholders agreed to drop their lawsuits in the reorganization settlement, except for their case against former Chief Financial Officer Steve Bolen. Court documents show that Bolen also is being investigated by the Securities and Exchange Commission, the Internal Revenue Service and the Federal Bureau of Investigation/U.S. Attorney's Office. The SEC said in court documents that it has determined that Bolen diverted about \$17 million from bogus FNN lease transactions.

The FBI is reported to be investigating the possibility that FNN's executives used a company in Bermuda called Intex, of which Brian was the chairman from 1984-88, to get \$8 million in FNN money out of the country. The funds were allegedly laundered through bogus lease deals with Intex.

The Royal Gazette, a newspaper in Bermuda, reported on the Intex connection last week, quoting a former Canadian stockbroker who said he had been interviewed by the FBI about the alleged FNN/Intex deals.

Intex, with debts of \$1.85 million and assets of only \$243,175, is in liquidation, and FNN is listed as one of Intex's shareholders. Like Inslaw, Intex developed computer software.

Inslaw President William Hamilton charges that the Department of Justice in the 1980s stole its PROMIS software and gave copies to Brian, who was a friend of then-Attorney General Edwin Meese and President Reagan. Hamilton alleges that Brian, in collusion with the CIA, then sold \$900 million worth of PROMIS software to dozens of foreign governments, including Canada and Israel.

PROMIS was designed to track court cases, but Hamilton says it can be adapted for intelligence purposes.

A U.S. Bankruptcy Court judge, in 1988, agreed that the Justice Department used "trickery and deceit" to steal PROMIS. The ruling later was set aside because of a jurisdictional problem.

Recently, affidavits have surfaced from such people as an Israeli intelligence connection, a former FNN manager, former CIA scientist, a former stockbroker and arms dealers linking Brian, Bolen, attorney named Ken Rosen and the sale of PROMIS abroad.

Last year a Virginia reporter, who was investigating the Inslaw matter and reportedly attempting to link it to the Bank Commerce and Credit International (BCCI) and to delays in the release of American hostages in Iran, was found dead in a hotel room with his wrists slashed. His death was ruled a suicide, and a subsequent investigation supported that finding. FNN members remain skeptical.

In late March of this year, the Washington Business Journal published a story saying that the House Judiciary Committee would soon release its report on its investigation into Inslaw. Committee member Rep. Don Edwards, D-Calif., was quoted by the Washington Business Journal as saying that the "strongly worded" report would substantiate many of Hamilton's allegations.

Edwards told the Los Angeles Business Journal last week that he really does know much about the contents of the report, but that he had heard it likely would be released this week and the committee will spend an entire day studying it.

Also investigating the Inslaw matter Judge Nicholas Bua, a special investigator appointed by Attorney General William Barr last fall.

Brian has denied the allegations against him and says the alleged Inslaw conspiracy never happened.

According to the FNN reorganization plan, approved by stockholders and bankruptcy court in May, the resulting company, temporarily called Newco, will take over FNN's remaining operations and will honor FNN's severance payment contract with Brian. He has been receiving \$50,000 per year since the fall of 1990.

"My understanding is that whatever compensation was will stay the same," said Michael Rosenthal, an FNN bankruptcy attorney with the firm Gibson, Dunn & Crutcher.

Hamilton and his wife, Nancy, co-owners of Inslaw, will be in the Los Angeles area speaking about the matter at a public meeting, hosted by the group "Work for," on June 16 at University Synagogue.

Tory Tory DesLauriers & Binnington

Barristers & Solicitors

Suite 3000, IBM Tower
P.O. Box 270
Toronto-Dominion Centre
Toronto, Canada M5K 1N2

Telephone: (416) 865-0040
Facsimile: (416) 865-7380

June 5, 1992

Via Telecopier

RCVD
8 JUN 8 92
11:30 PM

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Dear [REDACTED]

Re [REDACTED]

Thank you for your letter of May 29, 1992.

[REDACTED] was aware of the original motion in this matter. He did not file material and did not attend. Nor has he been involved in any way in the consequent matter involving [REDACTED]. In addition, nothing contained in the material sent to you by [REDACTED] speaks in any way to the questions that need to be addressed on the plaintiff's motion to discontinue.

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For all these reasons, in my submission, [REDACTED] "materials" are out of time and irrelevant and, accordingly, ought not to receive any consideration by you.

Yours very truly,

[REDACTED]

MAP:lp

cc: [REDACTED]

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Affiliated With
Desjardins Ducharme • Montreal
Lawson Lundell Lawson & McIntosh • Vancouver

Member of the International Partnership
Tory Ducharme Lawson Lundell • London, England • Hong Kong

[REDACTED]

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 6/12/92

TO : DIRECTOR FBI
 FROM : LEGAT, OTTAWA (29B-LA-115702) (RUC)
 SUBJECT : EARL W. BRIAN
 ET AL
 FIF

(OO: LOS ANGELES)

ReOTTairtel, 3/30/92.

Enclosed for FBIHQ and Los Angeles are two copies
 each of the following communications:

1. Letter dated 6/6/92 from [redacted]
 [redacted]

2. Letter dated 6/5/92 from [redacted]
 [redacted]

3. Letter dated 5/25/92 from [redacted]
 [redacted]

No other inquiries will be made by Legat, Ottawa,
 unless advised to the contrary by Los Angeles.

- (5) - Bureau (Enc. 6)
 1 - Foreign Liaison Unit, OLIA
 (2) - Los Angeles (Enc. 6)
 1 - Ottawa

- 1* -

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29B-LA-115702-113

SEARCHED [] SERIALIZED [] INDEXED [] FILED []

JUN 25 1992

FBI - LOS ANGELES

[redacted]

Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

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29B-LA-115702

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The following investigation was conducted by SA
[redacted] on July 28, 1992:

AT VAN NUYS, CALIFORNIA

An attempt was made to contact [redacted] at
14833 Sherman Way, #3, which met with negative results. SA [redacted]
left a business card at the residence requesting [redacted]
contact FBI, Los Angeles as soon as possible.

29B-LA-115702-114

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 8/17/92

From : SA [REDACTED]

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Subject: EARL W. BRIAN-CEO;
[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

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[REDACTED] This memo is to document that on 7/30/92, SA [REDACTED]
[REDACTED] met with AUSA [REDACTED] Forensic
Auditor, United States Attorney's Office, regarding above
captioned matter.

It was discussed [REDACTED]

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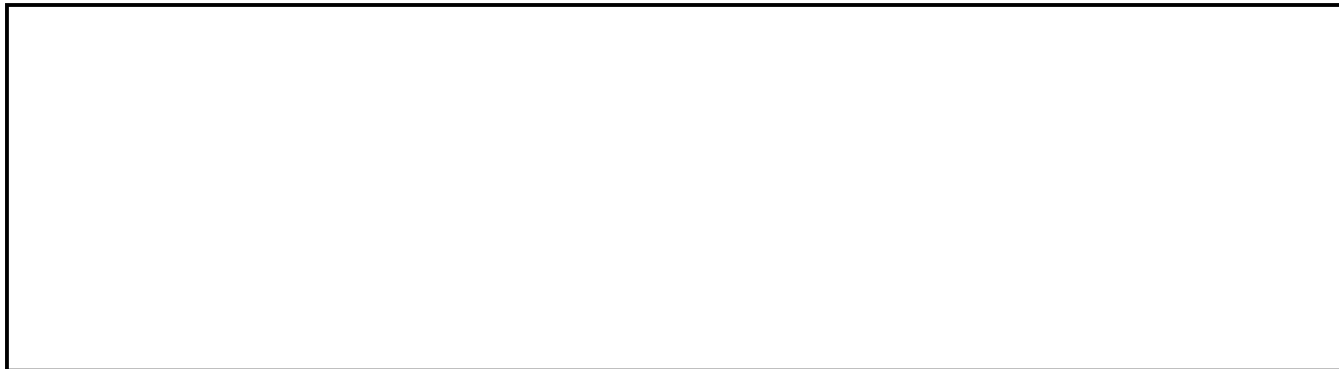


29B-LA-115702-115

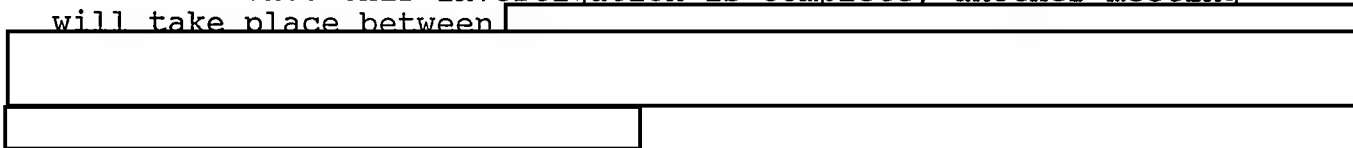
| | | | |
|-------------------|------------|---------|------------|
| SEARCHED | [REDACTED] | INDEXED | [REDACTED] |
| SERIALIZED | [REDACTED] | FILED | [REDACTED] |
| FBI - LOS ANGELES | | | |

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29B-LA-115702



Once this investigation is complete, another meeting
will take place between



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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 8/17/92

From : SA [REDACTED]

b6
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Subject: EARL W. BRIAN-CEO;
[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 7/30/92, [REDACTED] attorney, AVACUS Partnership, telephonically contacted SA [REDACTED] at the Los Angeles Office of the FBI. [REDACTED] advised that he is currently in the process of representing the AVACUS partners in a civil lawsuit. These partners were defrauded by the major shareholders of INFOTECHNOLOGY. The fraud involved approximately \$5 or \$6 million and involved one of BRIAN's companies, UNITED PRESS INTERNATIONAL.

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[REDACTED] advised he would send SA [REDACTED] a copy of the lawsuit and additional information. [REDACTED] further advised that when SA [REDACTED] is in the New York-Washington area, [REDACTED] would be desirous of sitting down and discussing further fraudulent activities of BRIAN and BRIAN associates. [REDACTED] can be contacted at [REDACTED]

29B-LA-115702-116

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:56

Case ID: 298-LA-115702 Serial: 117

Description of Document:

Type : FD302

Date : 07/07/92

To : LOS ANGELES

From

Topic

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 144

Employee:

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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 3/30/92

TO : DIRECTOR, FBI
 FROM : LEGAT, OTTAWA (29B-LA-115702) (RUC)
 SUBJECT : EARL W. BRIAN; ET AL
 FIF
 OO: LOS ANGELES

Reference Los Angeles airtel to Director, 7/30/91.

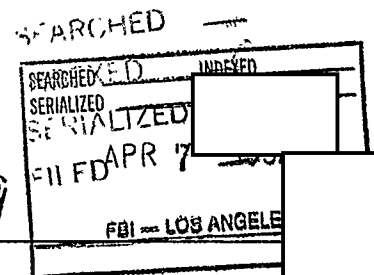
Enclosed for Los Angeles [redacted]

[redacted] and for FBIHQ [redacted]

No other inquiries will be made by Legat Ottawa unless advised to the contrary by Los Angeles and if warranted by LA based upon a review of the enclosed documents. In this regard, Los Angeles [redacted]

5-Bureau (Enc. 2)
 1-FLU, OLIA
 ② Los Angeles (Enc. 2)
 1-Ottawa (29B-LA-115702)

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Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 9/8/92

From : SA [REDACTED]

b6
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Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

SA [REDACTED] has been instructed by SSA [REDACTED] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date.

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2 - 29B-LA-115702

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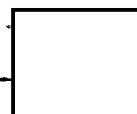
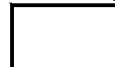


(X)



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29B-LA-115702-20



INSLAW, Inc.

1125 15th Street, N.W., Washington D.C. 20005
PHONE: (202) 828-8600 FAX: (202) 659-0755

DATE: September 16, 1992

PLEASE DELIVER AS SOON AS POSSIBLE

TO:

COMPANY:

FAX NUMBER:

FROM:

[Redacted]

[Redacted]

818-846-7742

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MESSAGE:

Following is a copy of our Highlights
of the Inslaw Affair.

[Redacted]

Including the cover sheet, this transmission consists of 11 pages. If there are
transmission problems, please call [Redacted] at [Redacted]

[Redacted]

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29B-LA-115702-121

[Redacted]

[Redacted]

[Redacted]

***HIGHLIGHTS OF THE HOUSE JUDICIARY COMMITTEE'S
SEPTEMBER 10, 1992 INVESTIGATIVE REPORT,
THE INSLAW AFFAIR***

Highlights Prepared by

September 15, 1992

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HIGHLIGHTS OF THE INSLAW AFFAIR

Concluding a three-year long investigation, the Committee on the Judiciary of the U.S. House of Representatives issued its Investigative Report, entitled *The INSLAW Affair*, on September 10, 1992.

The House Judiciary Committee launched the investigation in August 1989 because the U.S. Bankruptcy Court for the District of Columbia had ruled that Justice Department officials "took, converted, stole" \$6 million worth of a computer software product known as PROMIS "through trickery, fraud and deceit." The Justice Department stole the copies of PROMIS from INSLAW, Inc., a computer software manufacturer that is headquartered in Washington, DC. Several months after the House Judiciary Committee investigation began, the U.S. District Court for the District of Columbia affirmed these findings, noting that the findings are supported by the evidence "under any standard of review," which includes the standard of trial *de novo* by the U.S. District Court. In April 1991, however, the U.S. Court of Appeals for the District of Columbia overturned the rulings of the two lower federal courts largely on narrow, procedural grounds, without reaching the findings.

The Committee found that as early as the summer of 1986, one year before the Bankruptcy Court trial, Deputy Attorney General Arnold Burns, then the second highest official in the Justice Department, had learned from Department attorneys that INSLAW's claims regarding PROMIS were valid and that INSLAW would probably be able to prove its claims in court:

"More than \$1 million has been spent in litigation on this case by the Justice Department even though it knew in 1986 that it did not have a chance to win the case on the merits. This clearly raises the specter that the Department actions taken against INSLAW in this matter represent an abuse of power of shameful proportions." (*The INSLAW Affair*, p. 7).

The Committee found that, even though the Justice Department knew as early as one year before the Bankruptcy Court trial that it could not defeat INSLAW on the merits, the Justice Department has used the narrow jurisdictional ruling by the U.S. Court of Appeals overturning the Bankruptcy Court decision as an excuse for continuing to withhold payment to INSLAW for the \$6 million worth of stolen copies of PROMIS:

"Finding Number 12. The Justice Department continues to improperly use INSLAW's proprietary software in blatant disregard of the findings of two courts and well-established property law. This fact coupled with the general lack of fairness exhibited by Justice officials throughout this affair is unbecoming of the agency entrusted with enforcing our Nation's laws." (*The INSLAW Affair*, p. 112).

According to the Investigative Report, the Justice Department has not only wrongfully refused to pay INSLAW for the PROMIS software, but has also abused its public trust by conducting a war of attrition against INSLAW in the courts:

The Department "misused its prosecutorial and litigative resources to legitimize and cover up its misdeeds." (*The INSLAW Affair*, Finding Number 5, p. 111).

"The Department's pursuit of litigation can only be understood as a war of attrition between the Department's massive, tax-supported resources and INSLAW's desperate financial condition, with shrinking (courtesy of the Department) income." (*The INSLAW Affair*, p. 34).

"Strategic gamesmanship has no place when the full weight and resources of the enforcement arm of the Government is pitted against a private litigant, whose financial ability to litigate may have been compromised by the very departmental actions in dispute." (*The INSLAW Affair*, p. 41).

The Justice Department's effort to steal the PROMIS software from INSLAW began within one month of the start of INSLAW's three-year PROMIS Implementation Contract through the efforts of two individuals, [REDACTED]

and continued unabated for the next three years, according to the Investigative Report:

"From that point forward there is no indication that [REDACTED] ever deviated from their plan to harm INSLAW." (*The INSLAW Affair*, Finding Number 3, p. 111).

The Committee found that [REDACTED] theft and misconduct was carried out from the very beginning with the full knowledge and support of high-level Justice Department officials including at the very least, Presidential appointee D. Lowell Jensen*, who served in the Reagan Justice Department successively as Assistant Attorney General, Associate Attorney General, and Deputy Attorney General, and who is currently a federal district judge in San Francisco:

"These actions, as they pertain to the disputes with INSLAW over the misappropriation of the PROMIS software, were taken with the full knowledge and support of high level Justice officials." (*The INSLAW Affair*, p. 13).

"The PROMIS Oversight Committee, headed by Deputy Attorney General Lowell Jensen, kept a close watch over the administration of the contract and was involved in every major decision." (*The INSLAW Affair*, p. 6).

* - The former Chief Investigator of the Senate Judiciary Committee confirmed, in sworn testimony to the Committee, allegations that he had earlier made to INSLAW and its lawyers and to the Senate Permanent Investigations Subcommittee based on information obtained from a trusted senior career official in the Justice Department, including the allegation that D. Lowell Jensen had planned to award the Department's case management software business to friends and had used some of the most senior officials of both the Criminal Division and the Justice Management Division in the plan, which the trusted senior career official compared to Watergate. After several years of making such allegations, [REDACTED] inexplicably submitted an affidavit through the Justice Department in which he denied having made such allegations. (*The INSLAW Affair*, p. 63).

"It is clear from the record that [redacted]

[redacted] supported by high level Justice officials, continued to confront INSLAW at every turn." (*The INSLAW Affair*, p. 4).

"INSLAW's problems with the Department, which started almost immediately after the award of the contract in March 1982, were generated in large part by [redacted] with the support and direction of high level Department officials." (*The INSLAW Affair*, Finding Number 2, p. 111).

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Despite his heavy involvement with the Department's PROMIS Oversight Committee, which directly oversaw [redacted] decisions in the INSLAW contracts, Judge Jensen claimed to Committee investigators that his ability to recollect the events is incomplete. Judge Jensen did, however, acknowledge having a clear memory of two facts: (1) that he regularly briefed Attorney General Edwin Meese on all aspects of the INSLAW contract; and (2) that he delegated to his top aide, Jay Stephens (currently the U.S. Attorney for the District of Columbia), the task of investigating INSLAW's complaints about [redacted] biased administration of INSLAW's contract:

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"During a sworn statement, Judge Jensen denied being biased against INSLAW, but averred that he did not have complete recollection of the events surrounding his involvement in the contract." (*The INSLAW Affair*, p. 6).

"Perhaps most disturbing, he remembered very few details of the PROMIS Oversight Committee meetings even though he had served as its chairman and was certainly one of its most influential members." (*The INSLAW Affair*, p. 6).

[Mr. Jensen] ... "stated under oath that he kept the Attorney General regularly informed of all aspects of the INSLAW contracts." (*The INSLAW Affair*, p. 6).

[Mr. Jensen stated that] ... "he commissioned his deputy, Mr. Jay Stephens, to conduct an investigation of the bias charges. Based on this investigation, Judge Jensen said he concluded that there were no bias problems associated with the Department's handling of the INSLAW contract." (*The INSLAW Affair*, p. 6).

Attorney General Edwin Meese flatly denied under oath any such discussions with anyone, including Department officials, relating to the INSLAW controversy. Jay Stephens denied under oath that Jensen had ever even commissioned him to conduct an investigation of the bias charges.

[Attorney General Meese] "stated, under oath, that he had little, if any, involvement with the INSLAW controversy and that he recalls no specific discussion with anyone, including Department officials, about INSLAW's contract with Justice regarding the use or misuse of the software." (*The INSLAW Affair*, p. 7).

" ... Mr. Stephens, who testified during a sworn statement that he was never asked by Judge Jensen to conduct an investigation of the [redacted] bias allegations" (*The INSLAW Affair*, p. 6).

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The sharp contradictions in the sworn testimony of former Attorney General Meese and Judge Jensen are especially important in light of the sworn testimony of other individuals, some of whom have controversial reputations, that the Justice Department misappropriated PROMIS from INSLAW so that Dr. Earl W. Brian, a long-time close associate of Mr. Meese and President Ronald Reagan (*The INSLAW Affair*, pp. 52-54), could secretly sell PROMIS to intelligence and law enforcement agencies at home and abroad for his personal financial gain and in furtherance of the intelligence and foreign policy objectives of the United States.

[redacted] is one of the individuals who has made such charges under oath. [redacted] was arrested by Justice Department Drug Enforcement Agency officers approximately one week after he initially made such charges in a sworn affidavit to INSLAW. He was subsequently convicted and sentenced to 30 years in prison for illegal drug trafficking. During the first several years of the Reagan Administration, however, [redacted] [redacted] for an intelligence cutout that was established on an Indian reservation at the start of the Reagan Presidency in order to develop and manufacture weapons and munitions for the Contras in Nicaragua and other such groups. This intelligence cutout was located on the Cabazon Indian Reservation near Indio, California.

[redacted] provided sworn testimony to the Committee that Dr. Brian and the Justice Department's [redacted] secretly conveyed a copy of INSLAW's PROMIS software to [redacted] at the Cabazon Indian Reservation for "refitting" so that Dr. Brian could sell it to intelligence agencies in the United States and abroad. (*The INSLAW Affair*, p. 52, footnote #131). [redacted] also claimed under oath that [redacted] telephoned him, about one month prior to his arrest, to warn him against providing sworn testimony to the House Judiciary Committee. (*The INSLAW Affair*, p. 51).

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Dr. Brian has denied under oath knowing [redacted] and has denied any knowledge of the Cabazon Indian Reservation. (*The INSLAW Affair*, p. 72). Likewise, [redacted] has denied under oath knowing Dr. Brian, but declined to submit to a second deposition by the Committee concerning [redacted] and the Cabazon Indian Reservation after [redacted] made his sworn charges about [redacted] (*The INSLAW Affair*, pp. 68 and 48, footnote #113).

Notwithstanding these sworn denials, however, the Committee obtained contemporaneous law enforcement records from Indio, California, showing [redacted] and Dr. Brian together during the first year of the Reagan Administration on the evening of October 10, 1981 at a weapons demonstration near Indio. (*The INSLAW Affair*, p. 72, footnote #221). The Committee also obtained sworn testimony from a former colleague of [redacted] [redacted] who said that, prior to joining the Justice Department as PROMIS Contracting Officer, [redacted] had served as a federal government contracting officer for several contracts of Hadron, Inc., an information systems contracting company controlled by Dr. Brian. This former colleague also told the Committee that he does not know if [redacted]

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dealt with Dr. Brian, who was the "behind the scenes" person at Hadron, but that [] would necessarily have met on a regular basis with the individual who served as Dr. Brian's [] (The INSLAW Affair, p. 68).

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In April 1983, [] of Hadron contacted INSLAW to buy INSLAW, stating that Hadron needed title to PROMIS. [] told INSLAW that Hadron would be able to obtain the federal government's case management software business because of its friendship with Mr. Edwin Meese, then Counsellor to President Reagan, and that this is why Hadron needed to buy title to the PROMIS software. When INSLAW declined to meet with [] to negotiate such a sale, [] responded with a threat: "We have ways of making you sell." (The INSLAW Affair, p. 44).

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During the month following the Hadron Chairman's threat to INSLAW, [] began to withhold increasingly larger fractions of the monthly payments due INSLAW under the contract. As the Committee found, "INSLAW was pushed to the brink of financial ruin because the Department withheld at least \$1.6 million in critical contract payments on questionable grounds ..." (The INSLAW Affair, p. 4).

[] has denied under oath knowing Hadron [] notwithstanding the sworn statement of his former colleague who worked with [] on the contracts with Hadron, Inc. (The INSLAW Affair, p. 68).

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By 1985, the payments withheld from INSLAW by [] had pushed INSLAW into Chapter 11 bankruptcy. The Justice Department then sent INSLAW a letter that contained a very curious demand; namely, that INSLAW recognize that "the United States has the right to unrestricted use of the software obtained or delivered under this contract for any Federal projects, including projects that may be financed or conducted by instrumentalities or agents of the Federal Government such as its independent contractors." (The INSLAW Affair, p. 32, emphasis added).

Hadron served as an independent contractor with [] according to both [] (The INSLAW Affair, p. 58) and Dr. Brian's sworn statement to the Committee (The INSLAW Affair, p. 58, footnote #157). [] denied that [] had acquired INSLAW's PROMIS software through "official authorization or funds," but pointedly stated that [] had "no way of knowing" whether any independent contractor of [] may at some point have "acquired" the PROMIS software. (The INSLAW Affair, p. 58).

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The House Judiciary Committee reported that obstacles placed in its way by the Executive Branch made it impossible to make final determinations about the allegations of a high-level conspiracy within the Department to steal PROMIS for the benefit of friends and associates of former Attorney General Meese, including Dr. Earl Brian, and, therefore, "the Committee strongly recommends that the Department appoint an Independent Counsel to conduct a full and open investigation of the INSLAW allegations ..." (The INSLAW Affair, p. 113, Recommendation #3).

The Committee stated as follows about obstacles placed in the way of its INSLAW investigation:

"While the Committee could not prove that the Department deliberately conspired to conceal evidence of criminal wrongdoing, serious questions have been raised about the possible obstruction of a congressional investigation; destruction of Department documents; and witness tampering by Department officials." (*The INSLAW Affair*, p. 92).

On the subject of Department documents on INSLAW, the Committee stated that it was obliged ultimately to issue a subpoena to Attorney General Thornburgh to obtain access to documents that had been promised to the Committee during the first two years of the three-year investigation, but that "51 documents or files," previously withheld by the Justice Department from the Committee on the grounds that they were too sensitive, simply disappeared from the Justice Department's files in the months leading up to the July 1991 subpoena.

The Committee stated that "it appears numerous additional documents are missing," (*The INSLAW Affair*, p. 15) and that the Department has never provided an adequate explanation for the missing documents (*The INSLAW Affair*, p. 15) nor a complete account of the number of documents missing (*The INSLAW Affair*, p. 10).

The Committee also reported that, notwithstanding the admission under oath by former Deputy Attorney General Arnold Burns that Department lawyers had advised him during the summer of 1986 that INSLAW's claims to PROMIS license fees from the Department were valid, the Committee was unable to find any surviving documentation of the 1986 work by the Department's lawyers. (*The INSLAW Affair*, p. 34).

The Committee similarly found that there was no written record of specific discussions by members of the PROMIS Oversight Committee affecting the INSLAW contract, and that the records that were available "were inordinately sparse ..." (*The INSLAW Affair*, p. 7). Based on the sworn testimony of [redacted] highlighted earlier, Mr. Jensen used his position on this Committee to provide very close direction to [redacted] on virtually every decision they took regarding the INSLAW contract.

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The Committee has found that there were also significant obstacles relating to witnesses. For example, the Committee made the following statement on the subject:

"Numerous potential witnesses refused to cooperate, for the stated reason that they were fearful for their jobs and retaliation by the Justice Department or that attempts had already been made to intimidate them against cooperating." (*The INSLAW Affair*, p. 50).

The Committee reported that a Justice Department whistleblower recanted at the trial statements that he had earlier made to INSLAW and that his recantation occurred "under strong pressure from senior Department officials." (*The INSLAW Affair*, p. 79). The Department later fired this Justice Department whistleblower for harming its litigative posture through his

disclosures to INSLAW. The Committee stated that this "firing had a chilling effect on other potential Department witnesses who might have otherwise cooperated with the Committee in this matter." (*The INSLAW Affair*, p. 11). The Committee also reported that "even individuals who had left the Department refused to be interviewed. This refusal possibly stems from pressure exerted by the Department ..." (*The INSLAW Affair*, p. 93). The Committee stated that fear of reprisals was a problem "throughout the Committee's investigation, and remains a potential problem today." (*The INSLAW Affair*, p. 110). According to the Committee, the Justice Department may even have attempted to intimidate a FBI agent from testifying freely to the Committee. The Committee expressed the view that the Justice Department's actions in regard to the FBI agent may "have had a chilling effect" on the FBI agent's sworn testimony to the Committee. (*The INSLAW Affair*, p. 101).

The Committee "encountered numerous situations that pointed to a concerted effort by Department officials to manipulate the litigation of the INSLAW bankruptcy ..." and found "several possibly perjurious conflicts and contradictions among witnesses of the alleged Department effort to convert INSLAW from a Chapter 11 reorganization to a Chapter 7 liquidation." (*The INSLAW Affair*, p. 73).

The Committee also cited the arrest of [redacted] by Justice Department Drug Enforcement Agency (DEA) officers one week after his initial sworn statement in the INSLAW matter, and his subsequent conviction and incarceration as generating "more questions about the INSLAW matter." [redacted] told the Committee's investigators under oath that DEA agents had taken from him at the time of his arrest two copies of an audio cassette recording of the alleged threatening telephone call to him from [redacted] in February 1991, warning [redacted] not to provide sworn testimony in the INSLAW case. (*The INSLAW Affair*, p. 51). The Committee states that the Justice Department interfered with its attempts to obtain information from [redacted] and refused the Committee's request for permission to interview the DEA agents who arrested [redacted] (*The INSLAW Affair*, pp. 100, 101).

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INSLAW attempted to obtain the appointment of an Independent Counsel in February 1988 by submitting a memorandum to the Criminal Division's Public Integrity Section. The Committee found that "the Department's review of the need for an Independent Counsel investigation appears to have been deliberately shallow." (*The INSLAW Affair*, p. 82). The Committee also found that the Department's investigation of INSLAW's charges suggested that the Department was "more interested in constructing legal defenses for its managerial actions rather than investigating claims of wrongdoing which, if proved, could undermine or weaken its litigative posture." (*The INSLAW Affair*, p. 89). Mr. William Weld, the Department's Criminal Division Assistant Attorney General, approved the deliberately shallow investigation by the Public Integrity Section in a memorandum dated February 29, 1988. (*The INSLAW Affair*, p. 88).

The Committee's Investigative Report is no less critical of the Justice Department's Office of Professional Responsibility (OPR) in the INSLAW matter.

OPR waited one year after receiving written questions about the INSLAW matter from Senator Paul Simon's office, in connection with the confirmation hearing for the federal district judgeship of D. Lowell Jensen, before initiating an investigation. (*The INSLAW Affair*, p. 84).

By the time OPR began its investigation in November 1987, the Bankruptcy Court had already issued its oral ruling in the INSLAW case, complete with detailed negative assessments of the truthfulness of the sworn testimony of a number of Justice Department officials. "Instead of investigating the possibility of Department collusion to misrepresent witnesses' sworn statements, OPR attacked the Bankruptcy Court's position concluding that it mistrusted the Department's witnesses." (*The INSLAW Affair*, p. 85).

Finally, the Committee found that while OPR had "incredibly" excluded from its investigation any consideration of the merits of INSLAW's claims, it "gratuitously stated that 'there is no credible evidence that the Department took or stole INSLAW's Enhanced PROMIS by trickery, fraud and deceit.'" (*The INSLAW Affair*, p. 85).

As noted in this summary, the Justice Department has vigorously resisted two separate Congressional investigations of its conduct in regard to INSLAW; failed to carry out credible inquiries of its own through its Public Integrity Section and its Office of Professional Responsibility; and refused to recuse itself and to petition the U.S. Court of Appeals to appoint an Independent Counsel.

The Committee's Investigative Report provides details about one independent investigation of the Justice Department's role *vis-a-vis* INSLAW, *i.e.*, the year-long, full-time investigation by a free-lance journalist, Mr. Daniel Casolaro. Mr. Casolaro had gone to Martinsburg, West Virginia, for a follow-up meeting with an unidentified source on the Justice Department theft of the PROMIS software, and was found dead in his hotel room. Although West Virginia authorities ruled the death a suicide, the Committee's Investigative Report quotes an FBI agent and a former federal organized crime prosecutor, each of whom had been in contact with Mr. Casolaro shortly before his death, to the effect that Mr. Casolaro's investigation was focused and serious and Mr. Casolaro's psychological outlook was upbeat, casting doubt on the ruling of suicide. The Committee describes a series of disconcerting circumstances connected to Mr. Casolaro's death and the subsequent disposition of the body and the scene of the death, and calls for a full investigation by the Independent Counsel whose appointment the Committee is seeking in *The INSLAW Affair*. (*The INSLAW Affair*, p. 70).

CONCLUSION

Based on the evidence presented in the Committee's Investigative Report, the Committee stated that "extraordinary steps are required" (*The INSLAW Affair*, p. 109) to resolve the INSLAW case. The Committee made several major recommendations in its Investigative Report:

- "The Attorney General should take immediate steps to remunerate INSLAW for the harm the Department has egregiously caused the company."* (*The INSLAW Affair*, p. 109)
- "To avoid further retaliation against the company, the Attorney General should prohibit Department personnel who participated in any way in the litigation of the INSLAW matter from further involvement in this case." (*The INSLAW Affair*, p. 109)
- "The committee believes that the only way the INSLAW allegations can be adequately and fully investigated is by the appointment of an independent counsel." (*The INSLAW Affair*, p. 109)

Referring to the November 1991 appointment by Attorney General William Barr of [redacted] to advise him on the INSLAW case, the Committee expressed the fear that "it is very likely such witnesses will still feel intimidated by the Department. This problem was present throughout the committee's investigation and remains a potential problem today (*The INSLAW Affair*, p. 110)." INSLAW officials have voiced concerns that [redacted] lacking independent counsel status, would not be able to entice Department employees who were knowledgeable of the INSLAW matter to come forward and assist [redacted] in bringing this matter to closure. They believe his investigation will end up being subverted by the Department (*The INSLAW Affair*, pp. 109-110).

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While the Committee notes no reason to doubt the commitment of [redacted] "the problem rests with the fact that, as long as the investigation of wrong-doing by former and current high level Justice officials remains under the control of the Department, there will always be serious doubt about the objectivity and thoroughness of the work." (*The INSLAW Affair*, p. 110) The Committee's Investigative Report noted in conclusion that,

"This matter has caused great harm to several individuals involved and has severely undermined the Department's credibility and reputation. Congress and the Executive Branch must take immediate and forceful steps to restore the public confidence and faith in our system of justice which has been severely eroded by this painful and unfortunate affair" (*The INSLAW Affair*, p. 110).

* - "In the event the Attorney General does not move expeditiously to remunerate INSLAW, then Congress should move quickly under the congressional reference provisions of the Court of Claims Act to initiate a review of this matter by that court. (*The INSLAW Affair*, p. 109).

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 9/28/92

From : SA [REDACTED]

Subject: EARL W. BRIAN-CEO;
[REDACTED]

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FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

[REDACTED] This memo is to document that on 9/18/92, SA [REDACTED]
[REDACTED] FBI, Albany, telephonically contacted SA [REDACTED]
regarding above captioned matter.

SA [REDACTED] advised that a criminal referral had been
received by FBI, Albany alleging bank fraud activity by officials
at FINANCIAL NEWS NETWORK (FNN). There was no loss to the Albany
financial institution that submitted the referral. SA [REDACTED]
advised SA [REDACTED] of the facts of Los Angeles' bank fraud case,
file number 29B-LA-115702 involving a \$70,000,000 bank fraud to
SECURITY PACIFIC NATIONAL BANK by officials at FNN.

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Since no loss occurred in Albany's division, SA [REDACTED]
is forwarding the criminal referral to FBI, Los Angeles, to aid
in their investigation.



29B-LA-115702-122
[REDACTED]

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b7C



Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 9/29/92

From : SA [REDACTED]

Subject: EARL W. BRIAN - CEO;



b6
b7C

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

This memo is to document that on 9/22/92, SA [REDACTED]
[REDACTED] met with AUSA [REDACTED] AUSA [REDACTED] AUSA
[REDACTED] Forensic Auditor, regarding
above captioned matter.

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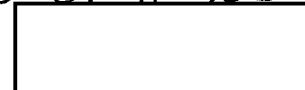
AUSAs [REDACTED]



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29B-LA-115702-123



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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

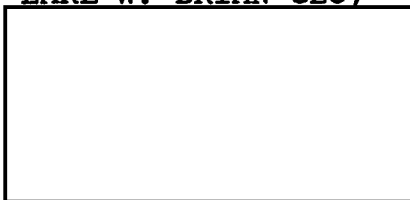
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 9/29/92

TO : ADIC, NEW YORK
FROM : SAC, LOS ANGELES (29B-LA-115702) (WCC-1) (P)
SUBJECT : EARL W. BRIAN-CEO;



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

Enclosed for New York are the following:

1. Original and two copies of a Federal Grand Jury subpoena for
2. Original and two copies of a Federal Grand Jury subpoena for
3. Original and two copies of a Federal Grand Jury subpoena for

- 2 - New York (Enc. 9)
2 - Las Vegas (Enc. 3)
2 - WMFO (Enc. 6)
② - Los Angeles



29B-LA-115702-124

SEARCHED
INDEXED
SERIALIZED
FILED

Approved: _____ Transmitted _____ (Number) (Time) Per _____

29B-LA-115702

Enclosed for Las Vegas are the following:

1. Original and two copies of a Federal Grand Jury subpoena for [REDACTED]

Enclosed for WMFO are the following:

1. Original and two copies of a Federal Grand Jury subpoena for [REDACTED] dated 9/17/92.

2. Original and two copies of a Federal Grand Jury subpoena for [REDACTED]

For information of receiving offices, this investigation was predicated by a Los Angeles Times article indicating that TELEVISION NETWORK, FINANCIAL NEWS NETWORK (FNN), was experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to both SECURITY PACIFIC NATIONAL BANK and TORONTO DOMINION BANK.

Investigation to date has determined that the FNN financial statements submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets and lease commitments. Officials at FNN also transferred money from Los Angeles to other United States financial institutions in an attempt to deposit this money to accounts located in Bermuda.

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29B-LA-115702

LEADS

NEW YORK

AT NEW YORK, NEW YORK: (1) Will serve enclosed subpoena to [REDACTED]
[REDACTED]

(2) Will serve enclosed subpoena to [REDACTED]
[REDACTED]

(3) Will serve enclosed subpoena to [REDACTED]
[REDACTED]

b3

LAS VEGAS

AT LAS VEGAS, NEVADA: Will serve enclosed subpoena to [REDACTED]
[REDACTED]

WMFO

AT ALEXANDRIA, VIRGINIA: (1) Will serve enclosed subpoena to [REDACTED]
[REDACTED]

(2) Will serve enclosed subpoena to [REDACTED]
[REDACTED]

b3

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (P) Date 9/23/92
(ATTN: SSA [redacted]) (WCC-3)

From : SSA [redacted] (SARA #3)

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

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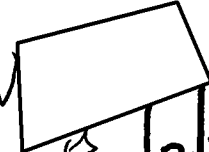
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

On 6/6/91, SA [redacted] was assigned to be Co-case agent on above captioned matter. However, on 6/16/91 received permanent transfer to the SANTA ANA RA.

Although she has continued to function as Co-case agent, it is now requested that this matter be reassigned due to her current assignment of [redacted]

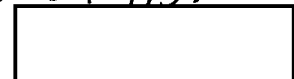
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*REASSIGN
LOS ANGELES
LEADS 10/2/92*

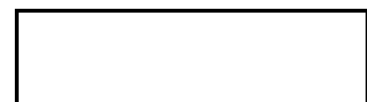


1-ASAC
① 29B-LA-115702
[redacted]
(2)

29B-LA-115702-125



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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:56

Case ID: 298-LA-115702 Serial: 126

Description of Document:

Type : FD302

Date : 09/17/92

To : LOS ANGELES

From :

Topic:

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Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 145

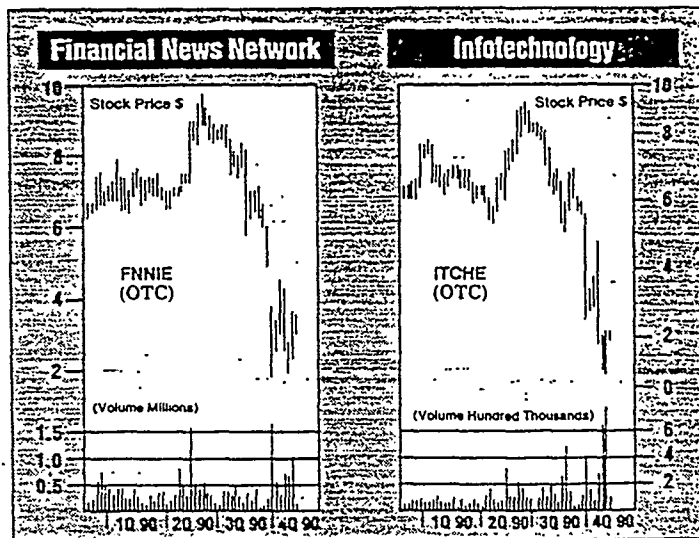
Employee:

29B-1A-115702-127

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(Exhibit A)



Barron's / Knight-Ridder TradeCenter

The Real Scoop

Behind the Bad News at FNN and Troubled Infotech

By MAGGIE MAHAR

MARGARET Wienczek remembers vividly the day the auditors from Deloitte Touche walked out on the Financial News Network. "All of a sudden one day, they came in and had a big meeting with management," Deloitte cleared out that afternoon. Senior management said, "Oh, they'll be back." But they didn't come back. And, right after that, there were all those newspaper articles saying FNN had fired them. That was two months ago. Deloitte said goodbye to both FNN and Infotechnology, FNN's "controlling" shareholder. The accountants refused to sign the companies' fiscal 1990 financial statements and disclaimed as well their former approval of Infotechnology's and FNN's fiscal 1989 financial statements.

Wienczek was caught off guard, but she wasn't entirely shocked at the turn of events. As director of administration at FNN, and assistant to C. Steven Bolen, FNN's chief financial officer, Wienczek had an unobstructed view of how the Financial News Network was handling its finances behind the scenes. Not only did she oversee payroll and purchasing, she arranged for FNN's insurance and handled the paperwork for insider stock transactions. During 1988 and 1989, Wienczek also frequently took the minutes at the company's board of directors' meetings.

And by last summer, Margaret Wienczek had come to the conclusion that the cable television network that dispensed financial wisdom and information to some 35 million American households was, in effect, cooking its own books. "The general ledger was doctored—changed to fit whatever Mr. Bolen wanted it to be." Within the past month, Wienczek has brought her charges to both the SEC and the Los Angeles U.S. Attorney's office, which has turned the case over to the FBI.

In a series of exclusive interviews with Barron's, Wienczek and David Zadroga, one of three accountants from FNN's Los Angeles headquarters, have revealed much of what they saw over the past year at FNN. "The company claimed it was finally turning a profit, but if you did a straightforward accounting, they were probably losing \$2 million-\$3 million a month," Zadroga asserts.

"Deloitte estimated that they were losing \$40 million in 1990—after you take out the related-party transactions," Zadroga, who left the company last month, says that these estimates find confirmation in FNN's own documents.

"I've been an accountant for 13 years, but I'm not a financial expert," Zadroga comments. "I can't explain everything that was going on. I was a chemistry major in college—I've been doing accounting from experience for the last 13 years. But I have my files, including three sheets of paper, with numbers written down by Bolen and Mitchell Young, FNN's comptroller, telling me how much revenue to book, and how much to book in capitalized costs. I was supposed to work backward from those totals, and come up with entries. I didn't tell the auditors anything until the investigation had begun. But I also have copies of little memos I sent to Bolen and Young asking for backup."

"I was stupid, I guess, or ignorant, or loyal—or whatever you want to call it until, I guess, the end of last July. Then the auditors began to ask questions and I began to see the whole picture. The backup didn't exist."

Indeed, Zadroga notes, FNN's books had a certain symmetry that comes from reckoning the bottom line first: "If you look at the 10Qs, they increase their bottom line by the same increment each

quarter.... Not too many companies work that way."

Both Wienczek and Zadroga insist that Bolen, FNN's chief financial officer, didn't perform his bookkeeping ledgerman all by himself. "I would presume Bolen did what he did at the order of Dr. Earl Brian," declares Wienczek. Brian was the chief executive officer of both Financial News Network and Infotechnology, which held a 47% stake in FNN, and, Wienczek observes, "Bolen answered to Brian."

Indeed, a close look at both Infotechnology and FNN's financial statements reveals numerous "related party transactions" between companies owned or controlled by Earl Brian. According to Zadroga, such transactions accounted for the difference between FNN's showing a profit or a sizable loss each month.

Earl Brian's financial empire consisted of interlocking pieces that include, besides FNN and Infotechnology, United Press International (UPI), the beleaguered wire service; Telecommunications Inc. (TII), a privately held computer-based information systems company; a privately held videotext company that provides stock quotations to personal computer users; Hadron Inc., a government contractor; the Learning Channel, a privately held educational cable television channel, and various other companies, some of them shells. (See chart on page 38.)

Virtually every company in Brian's web had a service contract with another Infotechnology-controlled company. Even if no services were performed, sometimes "accounts receivable" were booked.

"They kept money going around in a circle—just one step ahead of the auditors," says Wienczek.

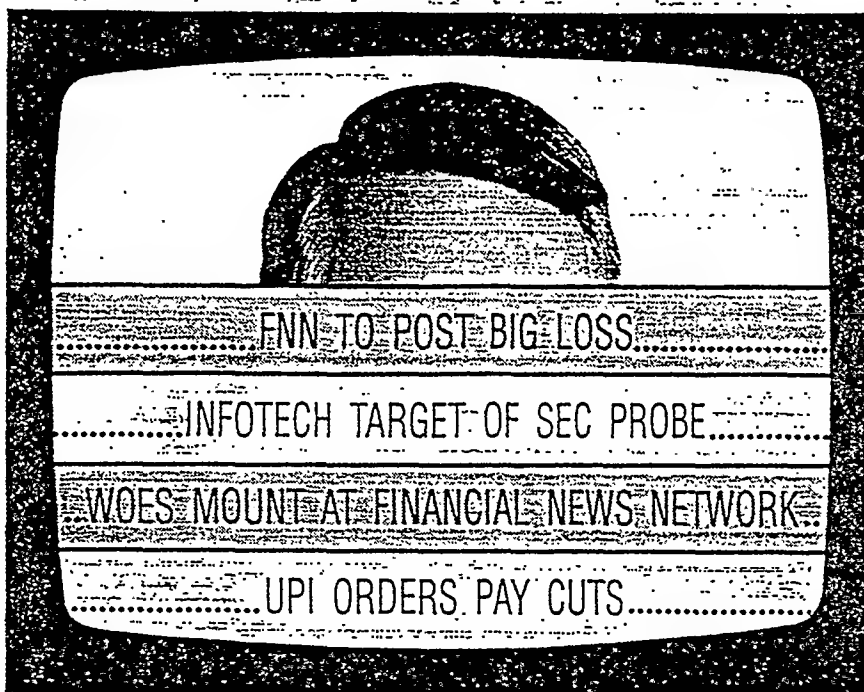
At the top of the empire, Infotech

managed the welter of related-party transactions, and management, in return, received fees. According to its 10Q dated March 31, 1990, Infotechnology earned \$3.8 million in management fees for the nine months ended March 31—up from just \$1 million in the comparable year-earlier period. In the same nine months, Infotech also reported over \$1 million in "interest from loans to component companies." Not only did Infotech own a significant stake in the various companies in Brian's empire, but the companies themselves frequently swapped stock with each other and commingled funds and assets to a degree that would ultimately baffle even the auditors.

"Who's going to be able to follow that paper trail?" asks an insider at UPI. "They were shifting assets often enough that it becomes spaghetti." Asked about the relationship among UPI, FNN and Infotech, Infotech's spokesperson referred Barron's to Milton Capps, UPI's spokesperson, who could only observe: "It does seem to be a complex matter."

Former FNN accountant, Zadroga says that not all of the accounts receivable generated by "related party transactions" were ever paid. "Most of these revenues that they booked from related parties were revenues they would never get," he avers, and he offers this example: "If UPI was making anything, it was nowhere close to the revenues we booked from them—about \$4 million a quarter. That was just a number given to me."

The pattern is confirmed by Graham Keeping, former president and CEO of Comtex, a company that provided electronic distribution services for UPI, and was absorbed into the Infotechnology matrix in 1986, when a group led by Brian took over the wire service. Suddenly, Comtex began getting bills from



Atlantic Contracting, a Hadron subsidiary, for services they claimed they rendered to Comtex. But we had never received any services, nor had I ever signed any contract for any services. The bills had mounted up into the thousands when I resigned.

Keeping relates. Part of the deal was that Brian's group would get two board seats. At the second directors' meeting, they voted themselves two more board seats. Then they funneled a large percentage of Comtex's activity and service into DBC, (98% owned by FNN), the company they have that provides stock quotations to personal computer users. They made Comtex a division of DBC, and DBC was the silliest idea I ever heard of. No one was going to buy that service for several thousand a month—and pay several thousand for a computer, to get those stock quotations. At that time, they'd been running DBC for one-and-a-half to two years, and weren't even in smelling distance of their original marketing target.

Not doing as well as hoped. Not long ago, FNN's insurance company wanted a list of people subscribing to DBC services. When I called Microage, the company that manufactured the DBC boxes, to get the list, I was told that the manufacturer had been told to keep on producing serial numbers, but not to make the boxes. There were far more serial numbers than boxes actually produced.

Keeping was an outsider, never more than an interested spectator, Zadroga explains how, inside the close-knit family of companies, Infotech executives who look orders from management, worked together on their cooperative bookkeeping ventures. The powers that be would come up with these schemes and have people write these contracts up. They were internally generated by management—it was really all the same management. And, if one of the companies' records disagreed with

another, they'd just send them a note back saying, No, it's not \$300,000; it's \$700,000—just revise it or do something to show that you owe us \$700,000. It happened all the time. They'd agree to whatever FNN wanted.

In a way, FNN was the parent company, though. Infotech was the head-honcho, FNN was the company. Earl Brian hoped to sell and make a lot of money on. They had a number in mind and they would do whatever they had to do to get that number. In response to Barron's requests for an interview with Brian, an Infotech spokesperson replied that he was not available.

C. Steven Bolen, the chief financial officer for FNN and Brian's business associate for more than 20 years, was fired when the auditors began to raise questions. When Financial News Network's board of directors launched an investigation of FNN's finances last summer, it was discovered that Bolen had paid himself some \$795,000 in bonuses that the company termed "not properly authorized."

Bolen was building a house. So he paid himself \$150,000 a month, Wiencek explains. Neither Bolen nor his attorney, Howard Weitzman, has returned Barron's phone calls.

But, apparently, Brian did not fire Bolen immediately. Instead, last summer, executives from Infotechnology-controlled companies on the East Coast were flown to FNN's Los Angeles headquarters to oversee the Deloitte audit. Bolen told FNN's accounting staff that he was taking an extended vacation and then moving on to bigger and better opportunities.

Wiencek recalls the meeting. "Last July, everyone involved in the year-end audit was brought to Bolen's office, one by one, and introduced to Gary Prince, a vice president from Infotech, and Sandy Sewitch, vice president and cor-

porate comptroller from UPI. Bolen told us: They will be overseeing the audit. Please cooperate with them as you would with me." (Last week, Barron's received a call from a former accountant at UPI outraged that Prince has not borne more public responsibility for the financial debacle at FNN and UPI. "I'm so tired of seeing all the stories focus on Bolen, Mr. Gary Prince was in charge of finances here and at Infotechnology," the former UPI employee said, "and he goes along jauntily as if nothing can harm him personally. But he has the power.")

In August, Deloitte Touche started its official audit, while Infotechnology's attorneys at Gibson, Dunn & Crutcher began an investigation at the behest of FNN's board of directors. Early in August, Earl Brian appeared briefly on the scene.

As the audit proceeded, the auditors appeared increasingly skittish, Zadroga reports. "Deloitte began to see some things, and they wouldn't always talk to the comptroller; they'd talk to us. Our answers led them to other questions, and other questions. They started calling Data Broadcasting, (98% owned by FNN) and UPI about related party transactions and Data Broadcasting and UPI weren't prepped to answer these questions."

The accountants from Deloitte were straightforward, accountants, Zadroga continues. "In an audit, you get typical grunt workers who do their job. They don't make the final decision; the accounting firm's partners make the final decision on what to report. But Deloitte's partners didn't like the way things had been handled a year earlier during the '89 audit. A lot of questions were brushed off, and it looked like in '90, Deloitte's management had decided they weren't going to let FNN push anything through. Also, by 1990, Deloitte Haskins & Sells, the firm that did

the '89 audit, had become Deloitte Touche. And I think the Touche people took a tougher attitude."

Zadroga remembers the events leading up to the day the auditors quit. "We had done some post-closing entries, and they saw it was just further screwing around. We'd reversed roughly \$6 million of capitalizations done during the first three-quarters of the year. The powers-that-be had come up with another number, about \$2.3 million, and they didn't have any backup available. Deloitte said, in essence, 'That's it. Goodbye, gentlemen.'"

Over a month earlier, in August, Wiencek and Zadroga say they were ready to report what they knew to the SEC. But they recall, the attorneys from Gibson Dunn urged them not to go to the authorities on the grounds that they were already investigating the matter.

"I knew that people on the accounting staff were coming in weekends and doctoring the general ledger. I just got so upset I had to say something," Zadroga recalls. "Personally, I thought none of us should have been allowed in the building during the audit and investigation. They should have got a conference room somewhere and interviewed us there. But everyone had access, and some employees were altering the books. I told the auditors what I knew toward the end of August. One of the auditors told me, 'It looks like things are going to be brushed off.' I said, 'The hell with that. I've already got a letter in my computer to the SEC.'"

The auditors told Gibson Dunn, and a couple of days later, two attorneys from Gibson—Dhiya el-Saden and Bradford Weirick—called me in," Zadroga remembers. They asked about the letter and Dhiya said, "I wish you wouldn't." He told me that there was more money and more people involved than I could possibly comprehend. If there was wrongdoing, he said, they'd handle it and make sure it was properly taken care of. And I believed them.

The attorneys who spoke to Zadroga weren't available to comment. But John Olson, a senior partner from Gibson Dunn overseeing the case, told Barron's. The special committee of the board of directors of FNN was fully briefed as to information obtained throughout the inquiry and has in turn reported to the board of directors. We are advised that the company and its auditors have taken appropriate steps to protect all relevant company records and documents. As previously reported, the company is cooperating with an investigation being conducted by the Securities and Exchange Commission and is in the process of producing documents requested in that investigation. As a matter of our professional obligations, we cannot and will not comment further.

But Wiencek remains skeptical and she and Zadroga are cooperating with both the SEC and the FBI in their investigations of FNN's finances. "I was ready to go to the SEC myself last August, and I should have," she says. "But the attorneys fed me a sad line about how much money and how many lives would be ruined." Indeed, jobs and livelihoods were at stake. Deloitte left at the end of September, and on Oct. 12, the day Infotech learned that the SEC had issued a formal order of investigation, FNN's chief financial officer, C. Steven Bolen, was fired. Four days later, Bolen's entire 22-person accounting staff—including Margaret Wiencek and David Zadroga—were terminated without notice.

Continued on Page 38

Real Scoop

Continued from Page 9

While firing Bolen and his staff, Infotechnology announced that Coopers & Lybrand had been retained to replace Deloitte and that an audit would be completed as soon as possible.

But even before that accounting was finished, at the end of October, FNN announced it had insufficient cash flow to meet operating expenses or to cover maturing obligations. Infotech soon followed with a similar confession of inadequate cash flow, and installed new management at both Infotech and FNN.

On Oct. 24, Alan J. Hirschfield and Allan R. Tessler were named "co-chief executives" of both Infotechnology and FNN, effective immediately. But Brian was not exiled from his empire: He would remain "non-executive chairman" of the boards of both companies.

Tessler, a lawyer, and formerly a member of Infotechnology's board of directors, had been Brian's business associate and adviser for many years. Indeed, when *Barron's* asked Brian some ticklish questions during an interview in February of 1988, he responded, "You'll have to refer those questions to Allan Tessler, at Shea & Gould."

Hirschfield, formerly chief executive officer of both 20th Century-Fox and Columbia Pictures, has a long association with Alan & Co., the investment banking house that helped launch a number of Brian's business ventures.

Hirschfield and Tessler refused to be interviewed. (An Infotechnology spokesperson told *Barron's* that they would entertain only written questions, and provide written replies, because of unspecified "inaccuracies" in a previous *Barron's* article on FNN.) But seemingly, Infotechnology's new custodians can hope only to oversee the sale of key parts of Earl Brian's tarnished empire. Meanwhile, the stock prices of both FNN and Infotechnology have collapsed. Infotechnology shares, which traded as high as \$9 earlier this year, sank to \$1 in recent weeks, while FNN stock has plunged from over \$9 to \$2.50.

Before the recent revelations of financial difficulties, everything seemed to be going swimmingly at FNN. Just a month before FNN disclosed its lack of cash, *Business Week* reported: "FNN is doing fine on its own. While FNN's stock flattened earlier this year, the company's earnings for fiscal 1990... are expected to grow about 20% to 25%."

But now, the company's directors had wasted its assets in a series of stock swaps designed "for the principal purpose of entrenching

ended Sept. 1989. Infotech signed a \$20 million loan and security agreement that matures in July 1991—secured only by the company's holdings of FNN common stock. Infotech lenders upped the total in February 1990 to \$25 million. By March 31, 1990, the company had drawn down some \$17 million of this line of credit.

Not everyone, to be sure, was delighted with Brian's stewardship. Thus, Avacus Partners, an investment firm with a 7% interest in Infotech, grew increasingly disturbed at transactions among companies controlled by Infotechnology and

themselves in office," charges that the directors formally deny. Last month, in Delaware Chancery Court Judge William T. Allen denied a motion for summary judgment to dismiss on four out of five counts, intimating that the curtain shrouding dealings within the Brian empire may be raised.

The new management has placed Financial News Network, the jewel of the empire, on the block. Its finances are shaky, indeed. FNN and Infotechnology themselves own up to owing \$70 million in loans and \$88 million in outstanding lease obligations. And ex-FNN

million in ad sales and affiliate fees, but they spent roughly \$1 million on salaries and another \$1 million on leasing equipment. Right there, you have \$2 million, and a large company with a satellite link-up easily had more than another \$1 million a month in expenses. There were almost 23 separate expense lines, and we used most of them every month. For instance, we had a large pool of contract labor, freelancers, who were paid roughly \$400,000 a month. Then there was overtime, office supplies, transmission expenses, satellite expenses, utilities, rents for the buildings.

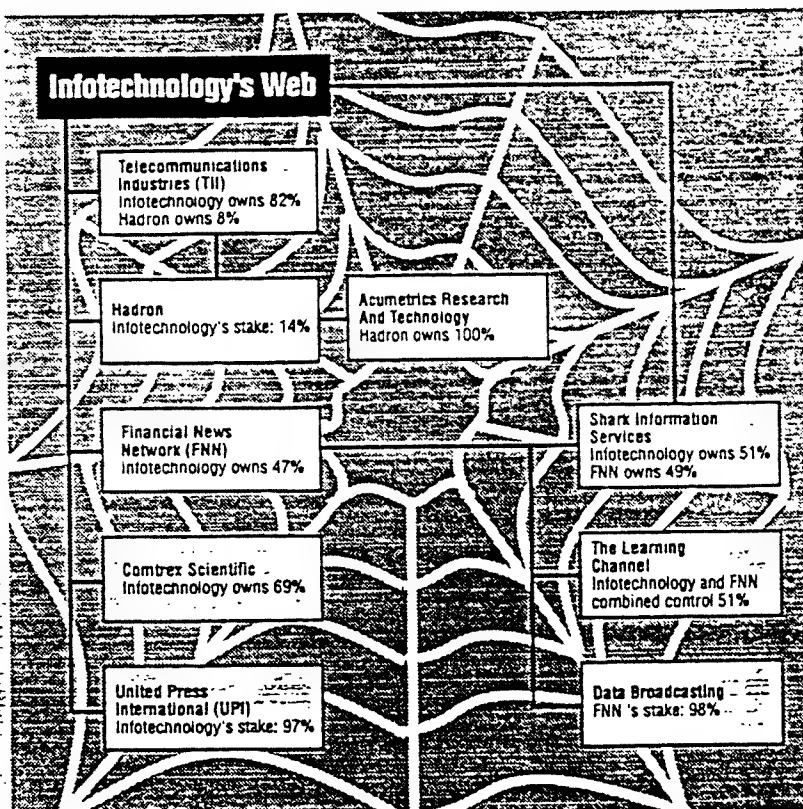
While FNN's books reveal some dubious accounts receivable, that by no means, Zadroga insists, tells the whole story. His contention: Some revenues were simply bogus. "For instance, the leases. Some of the lease deals were legitimate, but some weren't. What FNN would do to raise cash is sell equipment, and then lease it back—except they'd do a sale and leaseback with the same piece of equipment to several different companies."

Zadroga elaborates on how the scam worked: "FNN went to a company in Buffalo, N.Y., that created blank metallic labels, and then FNN typed in made-up serial numbers and had people in production put them on pieces of equipment. The company made an arrangement with the auditors that they would let us know what equipment they wanted to inventory so it could be ready. I used to joke with one of our financial people: 'What if they want to see all of the equipment at once? Is the auditor going to be willing to turn around while someone switches labels?' The Buffalo plate-maker confirms that FNN was a customer."

FNN's value as a salable property, of course, lies not only in its financial condition and its profitability and cash flow, but also in its "franchise," the slot on the dial that gives it entry to 35 million homes. It is, after all, the best-known name in its particular niche and, for a long while, enjoyed a monopoly as the financial news network. But that name has been besmirched and, it turns out, the franchise is not carved in stone. "Brian was just trying to sign on as many subscribers as he could—so he could sell FNN. He's a venture capitalist—he wasn't as concerned about the long term and, as a result, most of FNN's contracts don't have carriage obligations," says a rival in the cable television industry. "In cable speak that means that the contract defines the terms by which FNN must be carried—if it is carried. But you don't have to continue carrying it. If you decide you don't like FNN anymore, the bulk of these contracts are deals that you can walk away from."

Meanwhile, FNN's rival, CNBC, is ready to walk in. With deep pockets from NBC (read: GE), CNBC has, despite its huge losses, been able to persist, and now boasts 17 million subscribers—roughly half FNN's total. Observers have long said that CNBC poses a long-term threat. But now that FNN has been forced to broadcast its own bad news, that threat grows more imminent.

In sum, just how much FNN might fetch from one of the bidders reportedly interested in acquiring it is a question. But what is certain is that the startling revelations about the network and its parent, and the prospect of more to come, mean that it's worth a lot less than it was just a few scant months ago.



Earl Brian

brought a suit charging that the company's directors had wasted its assets in a series of stock swaps designed "for the principal purpose of entrenching

accountant Zadroga reckons that, regardless of what it reported, the debt-ridden company was never truly profitable: "They received about \$3

They leased all of their buildings. For the headquarters in Los Angeles alone, they were paying at least \$100,000 a month."

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

AIRTEL

DATE: 9/22/92

TO : SAC, LOS ANGELES

FROM : SAC, ALBANY (29B-AL-34106) (C)

SUBJECT: DATA BROADCASTING CORPORATION;
FINANCIAL NEWS NETWORK;
KEY BANK, USA, N.A.,
ONE KEYCORP PLAZA,
ALBANY, NEW YORK - VICTIM;
FIF
(00: ALBANY)

Re telcall from Los Angeles to Albany, 9/18/92.

Enclosed for Los Angeles are two copies of a Criminal Referral Form from Key Bank, USA, N.A. (Key Bank), dated 3/16/92, and an FD-340 containing various documents provided by Key Bank.

For information of Los Angeles, on 3/20/92, Albany Division received a Criminal Referral Form from Key Bank containing allegations that Data Broadcasting Corporation, a subsidiary of Financial News Network (FNN), fraudulently induced KeyCorp Leasing, Ltd. to purchase from Sentry Financial Corporation, Salt Lake City, Utah, part of a master lease of Data Receivers.

Subsequent investigation revealed that on 8/1/90, KeyCorp Leasing, Ltd. purchased for approximately \$809,000.00 from Sentry Financial Corporation part of a master lease. The original master lease was executed between Data Broadcasting Corporation and Sentry Financial Corporation with FNN as Data Broadcasting Corporation's guarantor. KeyCorp Leasing, Ltd. never had any direct contact with Data Broadcasting Corporation or FNN.

(2) - Los Angeles (Encs. 3)
2 - Albany

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29B-AL-115702-128

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| OCT 18 1992 | | | |
| FBI - LOS ANGELES | | | |

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194B-AL-34536

Per referenced telephone conversation, Albany Division will close its case and Los Angeles will assume 00 responsibility for the investigation. Concurrence of AUSA [REDACTED] NDNY, to transfer investigative responsibilities to Los Angeles was obtained on 9/21/92.

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b7c

Barr rejects special prosecutor to probe software theft charges

Associated Press

WASHINGTON — Attorney General William P. Barr on Tuesday refused to authorize a special independent prosecutor to investigate charges that high-level Justice Department officials stole software from a computer company and conspired to drive it into bankruptcy.

Barr rejected a call for the independent counsel made on Sept. 10 by House Democrats.

In a two-page statement, Barr said there was not enough specific information against high-level department officials to warrant an independent investigation.

Also, the attorney general said his own appointee to probe the matter, retired U.S. District Judge Nicholas Bua, "is conducting his investigation in a fair and impartial manner."

Barr, who said he conducted "an exhaustive review of the allegations," also said Bua found no evidence to warrant an independent investigation.

Rep. Jack Brooks, D-Texas,

chairman of the House Judiciary Committee, sharply criticized Barr for blocking the investigation.

He said Barr is "hunkering down in a dogged refusal to relinquish control over the case in which the department itself stands accused. . . . The agents of justice must submit to independent and neutral scrutiny for their own wrongful actions."

In the case acted on Tuesday, 21 Democrats on the House Judiciary Committee had urged Barr to appoint an independent counsel to look into alleged wrongdoing against INSLAW Inc.

In the early 1980s, the Washington-based company had a \$10 million contract with the Justice Department to develop software for a nationwide computer system to help lawyers keep track of and share information.

When the department revoked the contract, INSLAW's owners filed suit, accusing some top department officials — including former Attorney General Ed Meese — of stealing the software.

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[Redacted]

Democrats call for probe regarding loans to Iraq

Associated Press

WASHINGTON — Congressional Democrats, stirring a simmering scandal over the administration's handling of illegal loans to Iraq, on Tuesday renewed calls for the appointment of an independent counsel.

The calls came as House and Senate investigators tried to determine what the CIA knew about the loans by the Atlanta branch of an Italian-government bank, when it knew it and whether it conveyed the information to the Justice Department.

Sen. Howard Metzenbaum of Ohio, a member of the Senate Intelligence Committee that last week conducted hearings on the case, said only an independent probe "can assure the American people that the executive branch is not covering up major misconduct in its handling of the affair."

The chairman of the House Banking Committee, Henry Gonzalez of Texas, went even further, calling on Attorney General William Barr to resign.

"The Department's reputation for integrity is clearly in question, and responsibility for that must rest squarely with you," said Gonzalez in a letter to Barr.

Barr last summer rejected a request from the House Judiciary Committee to appoint an independent counsel to investigate the Bush administration's policy toward Iraq in the 1980s, saying the panel had failed to make a case for such a probe.

But Metzenbaum said additional questions had arisen since then regarding the conduct of the Justice Department and the CIA in the case, which involves loans of \$5.5 billion to Iraq by the Banca Nazionale del Lavoro. The money, partly guaranteed by the U.S. government, was used in part to buy weapons.

Metzenbaum said internal investigations ordered last week by the CIA and Justice Department were insufficient because "very high-level officials may well have been knowledgeable of or involved" in an attempt to clear BNL's Rome headquarters of guilt in the scheme.

The Justice Department, which last year indicted the bank's Atlanta branch manager, Christopher Drogoul, has consistently argued that Drogoul acted on his own. The defense, as well as Judge Marvin Shoob, contend sufficient evidence exists that Drogoul had approval from Rome.

NATION & WORLD

Sessions inquiry escalates

By David Johnston
The New York Times

WASHINGTON — An inquiry into the management and travel practices of William S. Sessions, director of the FBI, has escalated from an in-house ethics review to a preliminary criminal inquiry, administration officials said on Tuesday.

The inquiry has led to a confluence of two potentially explosive investigations. The investigation of Sessions comes at the same time that Attorney General William P. Barr has asked for his help in an unrelated inquiry into whether the Justice Department or the CIA misled a federal judge in Atlanta about how much the government knew of a multibillion dollar fraud involving Iraq.

On Tuesday, Sen. David L. Boren, the Oklahoma Democrat who heads the Senate Select Committee on Intelligence, said the "timing of the accusations against Judge Sessions makes me wonder if an attempt is being made to pressure him not to conduct an independent investigation."

In a statement on Tuesday, Sessions confirmed that he was under scrutiny by the Justice Department's internal ethics unit, the Office of Professional Responsibility. But Sessions made no mention of the criminal inquiry, a far more serious matter. An FBI spokesman had no comment on that inquiry, by the Justice Department's public integrity unit, which examines possible criminal wrongdoing by government officials.

In the statement, Sessions said he was "unaware of the specific allegations" against him and said he had already had procedures in place to be certain he did not bill the government for private travel aboard FBI aircraft.

But the criminal inquiry is focused in part on other issues, in-



William S. Sessions
Investigated by administration

cluding numerous long distance telephone calls that were unrelated to official business but billed to the director's office at FBI headquarters, an administration official said. The official said that other people may have made most of the calls.

A second phase of the public integrity inquiry involves conflicting statements Sessions made about his membership in a country club at his home in San Antonio. He applied for an exemption from District Columbia income taxes, using his membership in the club to help show that he was a Texas resident, a government official said. But he also told Justice Department investigators in an interview that he did not belong to the club.

Both statements may be partly true, since his club membership lapsed when he left the state to become director in 1987 but can be automatically renewed when he returns to Texas after he completes his term as director.

It is conceivable that the public integrity inquiry could require the Justice Department to seek the appointment of an independent counsel. But some officials stressed that the outcome of the criminal inquiry was uncertain and that it could end without anyone being charged with criminal wrongdoing.

THE SPOTLIGHT.

"The mind once expanded to the dimensions of a larger idea never returns to its original size."—OLIVER WENDELL HOLMES

VOLUME XVIII NUMBER 39

SEPTEMBER 28, 1992

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Gonzalez: Impeach Top Cop

Although President Bush is doing his best to evade responsibility for the BNL scandal, among many others, a populist congressman from Texas is zeroing in on him.

EXCLUSIVE TO THE SPOTLIGHT

BY MIKE BLAIR

Rep. Henry Gonzalez, the Texas Democrat who chairs the House Banking Committee, is preparing to introduce a bill calling for the impeachment of Attorney General William Barr for obstruction of justice in the "BNL scandal."

The scandal, which centers on the Bush administration's back-door financing of Iraq right up to the eve of the Persian Gulf War, involves billions of dollars in U.S.-guaranteed agricultural loans made through the Atlanta branch of the Italian state-owned Banco Nazionale del Lavoro (BNL).



Did Edwin Meese (shown at a Washington press conference) use his clout as attorney general to help steal a computer program, then aid in the cover-up?

EDITORIAL

OATH BREAKERS

The president, the vice president, members of Congress and military officers all take oaths before assuming their official duties. These oaths, as you can see on page 4, all include the promise to "support and defend," or "preserve and protect" the Constitution.

The march toward a New World Order and the attendant erosion of national sovereignty being engineered by President Bush and members of Congress is a clear violation of their oaths to uphold the Constitution. Likewise the implementation of the North American Free Trade

Probe of Inslaw Demanded

A House committee has asked for a special prosecutor to investigate the Inslaw scandal, a tale of murder, conspiracy, cover-up and theft—all allegedly perpetrated by the U.S. Justice Department.

EXCLUSIVE TO THE SPOTLIGHT

BY ANDREW ARNOLD

The House Judiciary Committee has called for the Justice Department to name an independent counsel "to conduct a full, open investigation of the Inslaw allegations of a high-level conspiracy within the [Justice Department]."

The Inslaw scandal centers on a \$10 million computer program (said to be worth over \$280 million) designed to track criminal cases, which its makers contend was stolen by the Justice Department in 1982 while Edwin Meese was attorney general.

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The scandal, which centers on the Bush administration's back-door financing of Iraq right up to the eve of the Persian Gulf War, involves billions of dollars in U.S.-guaranteed agricultural loans made through the Atlanta branch of the Italian state-owned Banco Nazionale del Lavoro (BNL).

These loans were diverted to military uses by Saddam Hussein.

This latest scandal points to criminal activity within the Bush administration, according to several Senate (See IMPEACHMENT, Page 12)

clout as attorney general to help steal a computer program, then are in the cover-up?

EDITORIAL

OATH BREAKERS

The president, the vice president, members of Congress and military officers all take oaths before assuming their official duties. These oaths, as you can see on page 4, all include the promise to "support and defend," or "preserve and protect" the Constitution of the United States.

Just what exactly does this oath mean today? More to the point, does it mean anything or not? And who's watching the store to make sure these oaths are honored?

The march toward a New World Order and the attendant erosion of national sovereignty being engineered by President Bush and members of Congress is a clear violation of their oaths to uphold the Constitution. Likewise the implementation of the North American Free Trade Agreement and all the other legal moves to institute free trade, is clearly un-Constitutional as Gus Stelzer points out on page 20 of this issue.

These two issues, free trade and globalization, are intimately related, since, as we have pointed out often in the past, you can't have world government without free trade, nor free trade without world government.

As the Constitution is increasingly ignored, can anybody seriously claim we are not moving toward a world government? Maybe the great liberal brains who have brought us to this pass are now starting to wake up. Maybe even some of them don't really want the Constitution to be a museum relic, a quaint record of our historical past, and not the vibrant, powerful statement of individual liberty and blueprint for the best form of government that has ever existed.

Make no mistake, this is exactly what will happen unless the voters begin to take their elected representatives' oaths seriously and clean out the traitors.

BY ANDREW ARNOLD

The House Judiciary Committee has called for the Justice Department to name an independent counsel "to conduct a full, open investigation of the Inslaw allegations of a high-level conspiracy within the [Justice Department]."

The Inslaw scandal centers on a \$10 million computer program (said to be worth over \$280 million) designed to track criminal cases, which its makers contend was stolen by the Justice Department in 1982 while Edwin Meese was attorney general.

Further, they charge, Justice officials engaged in a conspiracy to drive them out of business when they demanded payment; and Justice officials illegally redistributed the program to domestic and foreign law enforcement and intelligence agencies and conspired to cover up the department's criminal actions.

Private investigations of the affair have centered around several suspicious deaths of people involved, and allegations that the CIA and other U.S. intelligence agencies distributed the software to foreign counterparts to facilitate spying on them. The software, it is alleged, contained a "back door"—a secret command known only to the CIA—that would permit agency snoops access to the foreign system whereby they could rummage undetected through the foreign intelligence database.

COMMITTEE WANTS PROBE

The committee, headed by Rep. Jack Brooks (D-Texas), wants an investigation to determine if Inslaw's software was stolen by the Justice Department, then transferred to other federal agencies and foreign governments illegally.

When Inslaw sued for payment for the use of its proprietary software, the Justice Department balked, (See INSLAW, Page 3)

The Inside Story:

SPECIAL PULLOUT SECTION: AMERICA'S ABANDONED POWs

NEWS you may have missed. Page 2.

MYSTERY DEATH questions unanswered. Page 3.

COUP DANGER in America? Page 4.

LIBERTY LOBBY REPORTS: Action advocated. Page 5.

RADIO LOG. Page 6.

SPOTLIGHT ON CONGRESS: Bush gets hot potatoes from Capitol Hill. Page 8.

POPULIST ACTION COMMITTEE: Populism is the answer. Page 9.

SOLARZ could be back. Page 10.

FEDS CAUSED SHOOT-OUT, says Weaver's lawyer. Page 11.

DATEBOOK. Page 13.

KAHL INCIDENT more relevant now. Pages 14 and 15.

BALKANS:

- Islam real target. Pages 16 and 17.
- Wider war seen possible. Pages 18 and 19.

FINANCIAL:

- Our World in Conflict. Page 20.
- Free-trade warning. Pages 20 and 21.
- Lombard. Page 21.

PROCUREMENT PROBE impeded by ally. Pages 22 and 23.

CLASSIFIED ADS. Page 26.

LETTERS to the editor. Page 27.

PEOPLE are making news. Page 28.

Inslaw Probe Demanded in Congress

(Continued From Page 1)

raised a "sham" contract dispute and tried to force the company into Chapter 7 bankruptcy which would have necessitated Inslaw selling its assets, including the rights to its *Enhanced Promis* software.

The Judiciary Committee has asked for a special prosecutor to see if individuals in the private sector and government officials—including former attorneys general Edwin Meese and Richard Thornburgh—were involved in a theft and cover-up conspiracy.

LAW IS SET TO EXPIRE

The independent counsel law is set to expire at the end of this year. The White House is opposed to renewing it unless the law is changed to include Congress as subject to investigation by an independent counsel.

In March, 1982, the Justice Department awarded Inslaw Inc. a \$10 million, three-year contract to implement a version of the *Prosecutor's Management Information System (Promis)* at 94 U.S. attorney's offices, according to the Judiciary Committee report, entitled *The Inslaw Affair*.

Within one month, the Justice Department's C. Madison Brewer suggested the government terminate the contract. According to testimony, Brewer said he does not remember making the recommendation, but if it was made, it was made "in jest."

William Hamilton, owner of Inslaw, failed to see the humor. Hamilton's company was on the verge of bankruptcy in early 1985 after the federal government withheld at least

\$1.6 million in payments for use of the software.

A federal bankruptcy court judge, George Bason, later called Brewer's remarks "the smoking gun that clearly evidences Brewer's intense bias against Inslaw, and his single-minded intent to drive Inslaw out of business."

RULINGS UPHELD

Bason and a federal district judge upheld rulings against the federal government before the U.S. Court of Appeals overturned the decision.

The judiciary report questions why Brewer was given the position of overseeing the Inslaw contract. Brewer worked for Hamilton until 1976 as counsel for the Institute for Law and Social Research, which later became Inslaw.

Brewer left this position under questionable circumstances. Hamilton claims Brewer was encouraged to leave by management; Brewer says he departed in a favorable light.

In addition, Brewer, by his own testimony, is "not a computer person."

Hamilton accused Brewer of holding a negative bias in his dealings with Inslaw. The Department of Justice nevertheless kept Brewer on the assignment.

If Inslaw was forced into Chapter 7 bankruptcy, a rival company, Hadron Inc., could buy the rights to *Enhanced Promis*. Hadron is run by Dr. Earl Brian, a friend of Meese, and is a company in which Meese's wife, Ursula, was an investor.

MEESE KNEW

The *Enhanced Promis* was later provided to Brian by the Justice De-

partment "allegedly . . . with the knowledge and concurrence of then-Attorney General Meese who had earlier worked with Dr. Brian in the Cabinet of California Gov. Ronald Reagan and later at the Reagan White House," the report said.

Later, Michael Riconosciuto—a self-described computer expert—admitted under oath he "was involved with the modification of proprietary *Enhanced Promis* software" on the Cabazon Indian Reservation near Indio, California (SPOTLIGHT, Sept. 23, 1991).

Under federal law, modification of copyrighted software without the author's permission is a crime.

The *Promis* system was allegedly also illegally modified for use by the Royal Canadian Mounted Police and the Canadian Security and Intelligence Service, according to Riconosciuto.

Riconosciuto was arrested on drug charges in 1991. Some allege Riconosciuto was set up on the charges to discount his worth as a witness against the Justice Department.

ILLEGALLY PROVIDED OR SOLD

Other sources, including a surplus computer dealer and two former Israeli intelligence officers, said *Promis* has been illegally provided or sold to foreign governments including Canada, Israel, Singapore, Iraq, Egypt and Jordan.

The report said the committee was blocked from investigating the role of the CIA in international *Promis* sales.

Hamilton claims other federal agencies such as the FBI, the Drug Enforcement Administration and

federal intelligence services have also illegally acquired *Promis*.

Former Attorney General Elliot Richardson, counsel to Inslaw, has described the circumstances surrounding the Inslaw case as a possible criminal conspiracy involving Judge Lowell Jensen, Meese, Brian and several current and former officials at the Department of Justice.

"The Attorney General should take immediate steps to remunerate Inslaw for the harm the Department has egregiously caused the company," the report said. "The amount determined should include all reasonable legal expenses and other costs to the Hamiltons not directly related to the contract but caused by the actions taken by the Department to harm the company or its employees."

MORE PROBES CALLED FOR

In addition, the committee voted for investigations into:

- The death of journalist Danny Casolaro (see related story);
- Whether current and former Justice Department employees perjured themselves in regard to Inslaw;

- Whether documents subpoenaed and reported missing were stolen or illegally destroyed; and

- Whether private sector individuals participated in the alleged conspiracy to steal Inslaw's *Promis* software and illegally distribute it.

The committee does not have the authority to order the Justice Department to investigate any of these matters. In fact, none of the findings contained in the committee report is legally binding. These are simply recommendations from Congress. ●

RCMP and CSIS personnel who could provide insight into the software used by these agencies.

On December 4, 1991, the Ambassador responded by letter that neither the RCMP nor the CSIS were using INSLAW's PROMIS software. He further stated that none of the software packages believed to be derivatives of PROMIS were in use by any branch of the Canadian Government. According to the Ambassador:

...The RCMP and CSIS reported...they do not use any case management software....¹⁵³

The Ambassador's conclusory statement did not provide an offer or an opportunity for further verification of the allegations received concerning the Government of Canada.¹⁵⁴ Without direct access to RCMP, CSIS and other Canadian officials, the committee has been effectively thwarted in its attempt to support or reject the contention that INSLAW software was transferred to the Canadian Government.

5. DID THE CIA ASSIST IN THE SALE OF PROMIS?

On November 20, 1990, Chairman Brooks wrote to CIA Director, William H. Webster, requesting that the Agency:

...cooperate with the committee by determining whether the CIA has the PROMIS software or any derivative and to have the knowledgeable person or persons available for interviews by committee investigators.....

On December 11, 1990, the CIA's Director of Congressional Affairs, Mr. E. Norbert Garrett, responded that:

We have checked with Agency components that track data processing procurement or that would be likely users of PROMIS, and we have been unable to find any indication that the Agency ever obtained PROMIS software.

The chairman notified the CIA on February 15, 1991, that the committee appreciated the initial inquiry performed by Mr. Garrett. The chairman stated, however, that a more thorough and complete review was needed to determine if the PROMIS software or a derivative is, or has ever been, in the possession or control of the Agency, or any of its contractors, consultants, and operatives.

The chairman advised the Director that the committee received information that, in 1983, the Agency began operating a "floating point system" that operates a "Data Point" software program al-

¹⁵³ Letter from His Excellency Derek H. Burney, Ambassador of Canada to the Honorable Jack Brooks, December 4, 1991, p. 2.

¹⁵⁴ Although the Canadian Government has continued to deny that it has INSLAW's PROMIS software, information continues to surface indicating the opposite to be true. As recently as April 1992, reports of the use of the PROMIS software by the Canadian Government have been aired through the written and televised media. These media releases include a 1-minute report on CJOH, Ottawa titled, "RCMP Using Stolen INSLAW Software;" an April 16, 1992, article in a Canadian magazine titled "Out of Canada;" an article on March 3, 1992, in a Canadian newspaper titled, "The Globe and Mail;" and a February 28, 1992 article in the Canadian newspaper titled, "The Financial Post."

Of particular interest is a report that Statistics Canada, a Canadian governmental agency, recently admitted previous use of a public domain version of the INSLAW's PROMIS software. According to officials contacted by William Hamilton, the version of the software that had been used was obtained through the LEAA in the late 1970's. (See memorandum of interview on file with the committee). While the use of this version of the PROMIS software would be legal, the Canadian Government had previously denied any knowledge of the use of INSLAW's PROMIS software by any of its agencies.

leged to be a derivative of PROMIS.¹⁵⁵ The chairman also informed the Director that it has been alleged that the PROMIS software might also be operating under the name "Data Plus" or "PROMIS Plus" and it might currently be used at military intelligence locations. The chairman stated that the committee had also received information that the CIA may have assisted the Egyptian Government in acquiring this software through the Foreign Military Assistance Program (MAP). Finally, in the letter dated February 15, 1992, the chairman inquired of the Director whether the CIA had awarded several contracts to Dr. Earl Brian, or a company called Hadron, Inc.

Several months after the chairman's February 15, 1991, letter, the committee staff met with CIA representatives. They indicated that after an extensive search within the Agency, no versions of the PROMIS software were found. They also indicated that they checked specifically to see if the software had been supplied to the Government of Egypt and that no evidence of this transaction occurring exist at the Agency.¹⁵⁶

A letter dated November 18, 1991, was received from the CIA Deputy Director, Richard Kerr, who denied that the Agency had any versions of INSLAW's PROMIS software. He further stated that the PROMIS software currently being used by CIA components was manufactured by Strategic Software Planning Corporation of Cambridge, MA. (This is the same firm that sold its PROMIS software to the Canadian Government, described in a previous section.) Mr. Kerr also stated that the Agency has had some contracts with Hadron, Inc., but they were not related to PROMIS and that the Agency had no record of being in contact with Dr. Earl Brian in connection with any of these contracts.¹⁵⁷ The Deputy Director also denied that the CIA assisted the Egyptian Government in acquiring INSLAW's PROMIS or similar software.¹⁵⁸ He, however, added an important caveat:

Of course, we have no way of knowing whether any Agency contractors at some point ever acquired PROMIS software, but none did so on behalf of the Agency. Moreover, although we have no indication that any such acquisition took place, we cannot rule out the possibility that an Agency employee acting on his own behalf and without any official authorization or funds acquired PROMIS for his own personal use.¹⁵⁹

¹⁵⁵ In a conversation with committee investigators, William Hamilton provided information he had obtained from Charles Hayes and Juval Aviv, regarding the distribution of the PROMIS software domestically and internationally. (See December 22, 1989, affidavit of William Hamilton, on file with the committee.) In this conversation, Mr. Hamilton stated that the PROMIS software was distributed to the CIA. For greater detail see the section of the report titled, "The Allegators."

¹⁵⁶ In addition, at that meeting, and as a result of information received from several sources (refer to the section of the report titled, "The Allegators") subsequent to the February 15, 1991, letter, committee investigators inquired whether a number of other countries, including Israel, Jordan, Singapore, Canada, Iraq and Iran, had received PROMIS software. To date, no response has been received from the CIA.

¹⁵⁷ Dr. Brian, in his sworn statement of September 20, 1990, described the business relationship between Hadron and the U.S. Navy, the intelligence community, and specifically the CIA. He indicated that Hadron had 30-40 Federal Government contracts with the "intelligence community" (pp. 23-27).

¹⁵⁸ Letter to the Honorable Jack Brooks from Richard J. Kerr, Deputy Director CIA, November 18, 1991, pp. 1, 2, and 3.

¹⁵⁹ Ibid.

Thus, the CIA has not fully addressed the questions raised in the chairman's February 15, 1991, letter. While the CIA indicated that they could not locate PROMIS within the Agency, the Agency itself acknowledged that this did not preclude independent contractor usage.

In response to the allegation that the Egyptian Government obtained INSLAW's Enhanced PROMIS software using Foreign Military Assistance Program funds between 1980 and 1990, the committee requested GAO to determine if this fund was used to assist in the purchase of the software.¹⁶⁰ On June 14, 1991, following a study by its National Security, International Affairs Division, GAO advised the committee that their review failed to produce evidence supporting the allegation regarding the purchase of the PROMIS software by the Egyptian Government.¹⁶¹ During discussions with the GAO evaluators who conducted the study, the committee learned that MAP funds cover broad categories which make it extremely difficult to identify individual purchases.

6. ALLEGATIONS OF PROMIS DISTRIBUTION TO AGENCIES WITHIN THE DEPARTMENT

During this investigation, the committee received allegations that the Drug Enforcement Administration had been mandated to use the PROMIS software. Allegations were also made that the FBI Field Office Information Management System (FOIMS) is based on INSLAW's PROMIS software.

In August 1990, the committee inquired into an allegation that the DEA had been mandated to use PROMIS software. This allegation originated from the former DEA Deputy Assistant Administrator for Planning and Inspections, Carl Jackson, who told committee investigators that, in 1988, Attorney General Richard Thornburgh ordered DEA to install PROMIS software. He stated that he recalled some discussion during a monthly ADP Executive Committee of senior DEA officials in late 1988 or early 1989 concerning the mandate.¹⁶² However, DEA eventually developed a case tracking system called CAST (Case Status System).¹⁶³ The committee investigators reviewed the minutes of the ADP Executive Committee monthly meetings conducted in late 1988 and early 1989. The review disclosed no evidence that PROMIS was discussed,¹⁶⁴ but did corroborate DEA's plan to implement CAST.

With regard to the allegations concerning the FBI, committee staff inquired into charges made by Mr. Terry Miller, president of

¹⁶⁰ Letter from the Honorable Jack Brooks to Honorable Charles Bowsher, Comptroller General of the United States, January 17, 1991.

¹⁶¹ Letter report to the Honorable Jack Brooks from [redacted] Issue Area Director for Security and International Relations, GAO, June 14, 1991.

¹⁶² Memorandum of interview of [redacted] August 31, 1990 (on file with the committee).

¹⁶³ Ibid.

¹⁶⁴ Copies of minutes of the ADP Executive Committee Meetings, December 1988 through May 1989.

pacts on our foreign relations. There are major problems also with the credibility of some of the individuals whose allegations are aired. One individual making allegations is referred to in the Report itself as "a shady character...recently convicted on drug charges."

The Report erroneously attributes the fact that "the Committee could not reach any definitive conclusion about INSLAW's allegations of a high criminal conspiracy" in part to "the lack of cooperation from the Department." In reality, however, the Department provided the investigators access to voluminous records and facilitated extensive interviews with its employees. The Report itself delineates various "important precedents" that were established in terms of access—an acknowledgment that clearly contradicts an argument that DOJ frustrated the investigation.

The Report concludes that "[i]n the event that the Attorney General does not move expeditiously to remunerate INSLAW, then Congress should move quickly under the congressional reference provisions of the Court of Claims Act to initiate a review of this matter by that Court." INSLAW, however, still has the opportunity to appear before the Department of Transportation Board of Contract Appeals. No conduct by the government has prevented INSLAW from litigating this matter in a proper forum within the period of the statute of limitations. It clearly is not the fault of the United States that INSLAW and its attorneys decided to initiate a proceeding in a court that lacked jurisdiction.

Strong policy reasons oppose permitting litigants against the government to avoid the strictures of statutes of limitation. Designed to bar stale claims, statutes of limitation are predicated both on the evidentiary problems involved in arriving at the truth many years after events and on the potential injustice of greatly protracted legal proceedings. We simply do not have equities justifying extraordinary relief in the INSLAW matter in view of the fact that sweeping allegations remain unproven by the Report's own acknowledgment.

The Report recommends the appointment of an Independent Counsel in spite of the fact that a former federal judge [Nicholas Bua of Chicago, a President Carter judicial appointee] is actively investigating INSLAW and is subpoenaing witnesses to testify before a federal grand jury. There appears to be every indication that Judge Bua and his staff are operating with complete independence in the Department of Justice. An appointment pursuant to the Independent Counsel statute is superfluous at this point however one views the evidence—and is likely to result in unnecessary delay, expense, and duplication of effort. Judge Bua's investigation must be permitted to go forward and reach a conclusion if we hope to dispose of lingering allegations as expeditiously as possible. He has the authority to get to the bottom of this matter—and his efforts must be facilitated rather than circumvented.

All Committee Republicans voted against the adoption of the Investigative Report.

HAMILTON FISH, JR.
CARLOS J. MOORHEAD.
HENRY J. HYDE.
F. JAMES SENSENBRENNER, JR.
BILL MCCOLLUM.
GEORGE W. GEKAS.
HOWARD COBLE.
LAMAR S. SMITH.
CRAIG T. JAMES.
TOM CAMPBELL.
STEVEN SCHIFF.
JIM RAMSTAD.
GEORGE ALLEN.

SEPARATE DISSENTING VIEWS OF HON. TOM CAMPBELL

I concur in the dissenting views but write separately to add emphasis to three points.

First, the Majority Report places a great deal of reliance on the findings of the Bankruptcy Judge and refers to those findings as having been upheld by the Federal District Judge as well. The Majority Report accepts those findings as fact.

But our committee does not know if they are fact or not. The Bankruptcy Judge lacked jurisdiction to enter the findings that he did, as the Majority Report acknowledges. The Majority Report claims as a result that the factual findings of the Bankruptcy Judge were not cast in any doubt, since the reversal of his judgment was on jurisdictional grounds—what the Majority Report terms a legal technicality.

Legal technicalities are what you call holdings of law that devastate your case. You call them unassailably learned conclusions of law if they support your case.

The reason the U.S. Court of Appeals' finding of no jurisdiction devastates the Majority's case is that this decision renders the Bankruptcy Judge's findings of no effect. The key point is this: if the Bankruptcy Judge *had* jurisdiction, then the three judges of the U.S. Court of Appeals on review would have had to consider whether to uphold those findings or not. But we'll never know what they would have done with those findings.

The Department of Justice makes a strong case the findings were not substantiated by the evidence. It is wrong to say that the findings were left untouched on appeal—the U.S. Court of Appeals simply never got to them because they didn't have to. To hold that they retain any significance at all would require reviewing courts, having already found a lower court's decision to be without jurisdiction, to proceed nonetheless to review each and every finding by that court, lest someone subsequently says those findings were "left untouched" on appeal. It is axiomatic in our legal system that when a court is found to lack jurisdiction on appeal, all of its findings of fact and conclusions of law are from that moment without the slightest weight.

The Federal District Judge *did* uphold the findings of the Bankruptcy Judge, prior to the Court of Appeals holding they both lacked jurisdiction. The Majority Report tries to make this sound as though two completely separate decisionmakers passed on the facts and law presented. In reality, however, a federal district judge will affirm the findings of a bankruptcy judge unless they are clearly erroneous. So all that can be concluded is that one bankruptcy judge found as the Majority Report states, and one federal district judge could not call those findings clearly erroneous.

Hence, the tendency of the Majority should be resisted to intimate that the "score" is somehow 2 to 0. If anything, it might be 1+ to 0, since the Federal District Judge's finding of no clear error does not constitute a separate analysis of the facts except on the most generous of review standards.

But, once again, we have no idea how the three federal appeals court judges would have ruled. They may well have found the Bankruptcy Judge's conclusions to be clearly erroneous. If they did,

the "score" would have been 1+ to 3, even adopting the somewhat bizarre assumption that one federal judge's opinion is entitled to the same weight as any other's, though some sit on a higher court.

But we don't know, because the U.S. Court of Appeals judges found the conclusions to have been without jurisdiction. In reality, therefore, the only meaningful score is 0 to 3; since the unanimous opinion of the three reviewing judges was that the findings of fact below should have no legal effect.

Secondly, the Majority Report, and some Majority Members at the Committee Markup, suggested that the involvement of Judge Nicholas Bua made the case for an Independent Counsel stronger. It is argued that the Attorney General has, by appointing Judge Bua to conduct an outside investigation, admitted that the Department of Justice is incapable of proceeding in this matter in a fair way.

This is a dangerously erroneous position to maintain. Its logical conclusion is that the Attorney General never appoint an outsider to assist him, except through the mechanisms of the Independent Counsel statute. This would be regrettable. The Attorney General should remain free in those cases where an Independent Counsel is not appropriate nevertheless to seek a report from an outside source. To hold otherwise will discourage future Attorneys General from seeking the judgment of outsiders. There is no knife-edge between Justice Department proceeding entirely internally and the appointing of an Independent Counsel—middle courses are still available, and in this case, may well be useful.

Third, and last, much was made at the Committee Markup of statements made under oath by the Honorable Elliot Richardson, who is counsel for one of the parties in this matter.

I cannot name a public figure for whom I have higher regard than Mr. Richardson.

However, it remains that his views are not evidence. He was not a party to any of the contract negotiations at issue in this case. His conclusions are entitled only to the weight they deserve as arguments offered by counsel for a very interested party.

Cogent argument by a very respected attorney representing one side in a lawsuit is valuable to a court; it is not dispositive. That we accord it more weight than that shows how different we are, in fact, from a court.

The Inslaw matter is proceeding properly through the route of administrative remedy, with subsequent judicial review awaiting. This Committee errs in deciding factual matters in dispute on behalf of one side, errs in effectively awarding that side damages, and errs most fundamentally in taking a judicial and administrative matter into the legislative branch.

TOM CAMPBELL.



**YOUR WEEKLY NEWSPAPER
FROM WASHINGTON
SINCE 1975**

OUR CREED

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SPOTLIGHT September 28, 1992-3

Unanswered Questions on Casolaro

The mysterious death of investigative journalist Danny Casolaro while researching the connection between a number of Bush administration scandals has prompted a congressional call for a special counsel.

EXCLUSIVE TO THE SPOTLIGHT

BY ANDREW ARNOLD

House Judiciary Committee, in a call for the Justice Department to name an independent counsel to investigate the Inslaw affair, specifically cited the mysterious death of investigative journalist Danny Casolaro.

Many believed the journalist was close to tying an investigation of Inslaw, the Bank of Credit and Commerce International, Iran-contra affair and the October Surprise into a web Casolaro referred to as "the Octopus." (See SPOTLIGHT, Nov. 11, 1991 and Feb. 10.)

Casolaro's was the most prominent of a series of deaths of people con-

nected in one way or another to Inslaw or to Casolaro's broader investigation.

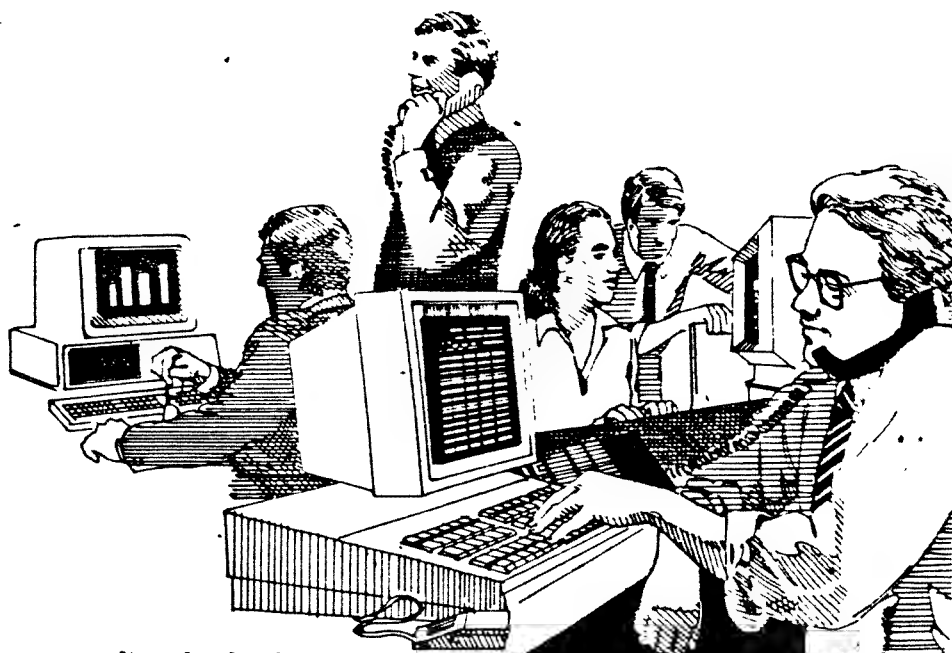
The Inslaw scandal centers on a software package believed to be worth some \$280 million. The software is designed to track criminal cases and was alleged to have been stolen by the Justice Department in 1982 while Edwin Meese was attorney general.

The October Surprise affair involves an alleged conspiracy by the Reagan-Bush campaign team to delay the release of American hostages held by Iran in 1980 until after the elections to prevent the re-election of Jimmy Carter.

BOOK WOULD HAVE EXPOSED MANY

Casolaro was believed ready to publish his findings in a book that would have exposed many of the most powerful people in Washington. He was in West Virginia supposedly to meet a secret source whom he expected to provide the final evidence Casolaro needed to prove his October theory.

Casolaro's body was discovered in a bathtub in a West Virginia hotel room on August 10, 1991. The death was officially ruled a suicide despite a slew of questionable circumstances



surrounding the death.

Authorities speculated the author was distraught after receiving the third rejection notice for his book and a \$178,000 balloon payment due on the mortgage on his home. His family and friends reject this explanation, insisting he was positive, upbeat and looking forward to the future.

Although Casolaro lived and had

family in nearby northern Virginia, West Virginia authorities ordered the body embalmed before the family was notified of the death or before a coroner could investigate the cause of death.

The Judiciary Committee report casts even more doubt on the official findings.

Some evidence indicates the death
 (See UNANSWERED, Page 12)

commonly known, Gonzalez, who began looking into the shady dealings at the bank even before the Gulf War, intends to continue hammering the administration to see justice is served.

Gonzalez contends Barr deliberately overlooked key evidence devel-

oped notes. Earlier this month, the president signed NSD [National Security Directive] 26," which Baker was reminded was for the purpose of "mandating pursuit of improved economic and political ties with Iraq" involving the administration's desire to grant an additional \$1 billion in

Attorney General William Barr is

loan credits to the regime of Saddam Hussein.

Both the Treasury Department and the Federal Reserve were opposed to granting further loan guarantees, being aware of the previous abuses. Nevertheless, the memorandum noted, "Our ability to influence Iraqi policies . . . will be heavily influenced by the outcome of the Commodity Credit Corp. [CCC] negotiations."

This referred to efforts to illegally alter the purpose of the CCC, which was intended to guarantee loans for the purchase of grain and which was initially set up to assist America's farmers in selling their products abroad, to be a means of providing foreign aid for Iraq through the back door, beyond the purview of Congress and the American people.

The memorandum noted how "to wall off an FY [fiscal year] 1990 CCC program from the BNL investigation" by Baker getting the Iraqis to pledge their "cooperation" in an investigation and to indicate they would not misuse the new funds.

INITIALED BY BAKER

In the space provided next to "APPROVE" on the memo, Baker allegedly initialed it "JAB III."

Making matters worse for the administration is the State Department's legal counsel, the enigmatic Sofaer, who initialed the memorandum with an "L" and further noted that it first had to be determined if any Iraqi officials were likely to be prosecuted in the case.

Sofaer is a notorious Israeli dual loyalist (SPOTLIGHT, March 14 1988). The subject memo noted: "I has spoken with U.S. Department of Agriculture and independently with the U.S. Attorney's Office in Atlanta," which was at the time preparing an indictment in the case.

The House Banking Committee and the House Judiciary Committee found that White House legal counsel had twice contacted the U.S. attorney in Atlanta, a month before this devastating memorandum was written.

In rejecting the request to appoint a special counsel, Barr noted that

Unanswered Questions

(Continued From Page 3)

scene was not immediately sealed and that the room was cleaned before a thorough investigation had taken place, according to the report.

Casolaro was in contact with at least two federal sources in the weeks prior to his death, according to the committee report.

FBI Special Agent Thomas Gates told the committee he received several telephone calls from Casolaro beginning approximately one month before the author died.

Gates said "Casolaro sounded very 'upbeat' [in the days before his death], not like a person contemplating suicide," the report said.

"Special Agent Gates felt that the amount of injury to the arms of Mr. Casolaro [was] not consistent with injuries inflicted by an individual who had slit his own wrists," the report continued. "Special Agent Gates said he was told by Martinsburg [West Virginia] Police investigators that: [Casolaro] hacked his wrists . . . the wrists were cut, but they were cut almost in a slashing or hacking motion.

"Based upon my prior testimony concerning my contacts with Casolaro and also with the captain of the Martinsburg Police Department, there is cause for suspicions to be raised," Gates told the committee.

Robert Stavin, a former prosecutor with the Department of Justice's Organized Crime Strike Force, recounted for the committee a conversation he had with Casolaro a week before the journalist's death.

Stavin said Casolaro mentioned Inslaw and the Octopus, but had not tied all the threads of his theory together yet.

THREATENING CALL

Around the same time period Casolaro's housekeeper reported he had

received a phone call stating: "You're dead, you bastard."

In addition, she noticed a stack of typed papers that usually lay on top of Casolaro's desk was missing shortly after his death.

In addition to the death of Casolaro a number of other sources believed used by Casolaro in researching his Octopus theory have also died under mysterious circumstances (SPOTLIGHT, Feb. 19). These include:

- Defense analyst Alan D. Standorf. His body was found at Washington National Airport on the floor of a car beneath luggage and other personal items. Standorf worked at a secret military listening post in suburban Virginia.

- Former Nixon aide Michael Allen May died four days after the *Napa Sentinel* reported his connections to the alleged October Surprise scandal. An autopsy said May had pharmaceutical drugs in his system.

- Reporter Anson Ng, of the London-based *Financial Times*, was working with Casolaro investigating ties between Inslaw, the Cabazon Indian tribe and Iran-contra. Ng was found dead in Guatemala with a single bullet wound in his chest. Authorities ruled the case a suicide.

- Dennis Eisman, U.S. intelligence operative Michael Riconosciuto's lawyer (see related story), was also found with a gunshot wound in his chest. It too was ruled a suicide.

- Engineer Barry Kumnick disappeared after inventing a new computer program that could project the thoughts and characteristics of criminal or military individuals and predict behavior or movement. Kumnick's system is designed to work with Inslaw's *Promis*. He has not been seen in more than eight months.

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Questions

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Attorney General William Barr is a target of an impeachment call.

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The House Banking Committee and the House Judiciary Committee found that White House legal counsel had twice contacted the U.S. attorney in Atlanta, a month before this devastating memorandum was written.

In rejecting the request to appoint a special counsel, Barr noted that

"the words used in the calls did not include any attempt to influence or interfere" and therefore "no interference occurred."

Bush's lawyer, C. Boyden Gray, claimed his office was "seeking only publicly available information" in making the calls.

INFORMATION NOT PUBLICLY AVAILABLE

The memorandum, however, now drives home the point that Baker's own counsel had sought to determine if Iraqi officials were to be indicted.

That is not, by any stretch, "publicly available information."

The memorandum clearly informs Baker that, according to "L": "Our information about the investigation indicates that the prosecutor does not intend to indict Iraqi officials."

On the same memorandum, Baker himself notes a conclusion by Agriculture Secretary Clayton Yeutter: "10/31 [October 31] CY: 'I think we're seeing it the same way your guys are. I'll get into it [the CCC loan guarantees].' JAB III."

Ultimately, only half of the additional \$1 billion in loan guarantees was made right up to a few months before the Iraqi invasion and annexation of neighboring Kuwait, which led to the Persian Gulf War. The U.S. taxpayers were stuck with several billion dollars in defaulted loans by the Hussein regime.

Ironically, some of the money was indeed used to purchase U.S. grain, shipped out of the port of Houston and on to then-Soviet bloc countries, where it was traded for weapons ultimately used against U.S. troops in the Gulf conflict.

Right after the Gulf War, Iraqi officials (still at large) were indicted by the Justice Department, along with the manager of the Atlanta branch of the Bank Lavoro. The Justice Department enraged the presiding federal judge in the case by cutting a deal for the bank official to plead guilty to a reduced number of counts in his indictment in return for his silence before the court at the time of his plea.

This prompted the judge to also call for the appointment of a special counsel.

constantly being visited by "high profile people currently employed in various agencies of the United States Government..." Mr. Riconosciuto further stated that Dr. Nichols was able to get him into secure areas of military facilities at Picatinny Arsenal during this venture.¹³⁰ According to Mr. Riconosciuto, he obtained access to secure areas in connection with the joint venture during 1981 and this was when he first met Mr. Videnieks. Mr. Riconosciuto claimed that he was given a copy of the proprietary version of INSLAW's PROMIS by Mr. Videnieks and Dr. Brian.¹³¹ Mr. Riconosciuto alleged that at that time Dr. Brian was spearheading plans for the worldwide distribution of PROMIS.¹³²

Mr. Riconosciuto granted the committee access to storage facilities where computer software¹³³ and documents were recovered by committee investigators.

Mr. Riconosciuto told committee investigators that Robert Booth Nichols could provide additional information concerning the Cabazon Indian Reservation and the conversion of the PROMIS software.¹³⁴ (See page 74.)

Dr. Brian's connection to former Attorney General Meese: Mr. Hamilton alleged in his affidavit and in testimony before this committee that Dr. Brian exploited a friendship with former Attorney General Meese to gain control of INSLAW's Enhanced PROMIS.¹³⁵ In their sworn statements to the committee, Mr. Meese and Dr. Brian stated that they had previously worked together as part of Ronald Reagan's cabinet while he was Governor of California, but their contacts since that time have been sporadic, limited, and social. Dr. Brian stated that he neither asked Mr. Meese to intercede on his behalf in any Government contracts nor did he discuss any Government contracts with him. Dr. Brian denied having any

¹³⁰ Ibid., p. 8.

¹³¹ During the sworn statement of Michael Riconosciuto on April 4, 1991, pp. 41-42, he stated that during a luncheon attended by Earl Brian, Peter Videnieks James Hughes and he, the Enhanced PROMIS software was loaded into his car.

¹³² Ibid., p. 43.

¹³³ *Analysis of Riconosciuto tapes:* The committee requested that GAO analyze the tapes and disks received from Riconosciuto. On November 12, 1991, GAO reported to the committee that it could recover data from only one of the five magnetic media, which it provided to the committee. The tapes and disks were several years old and had been kept in unsuitable storage facilities. The magnetic media was dirt encrusted and warped possibly from the excessive heat and humidity. The readable media appeared to be a corporate data file of accounts containing primarily individuals' names and addresses and was neither encrypted, as had been alleged by an acquaintance of Riconosciuto, nor did it contain any versions of the PROMIS software. Lacking in-house expertise in repairing severely damaged media, GAO contracted with a professional engineering firm to:

(1) Perform an engineering evaluation of the four remaining media to determine whether they could be repaired to the point that data could be retrieved from them;

(2) repair the media, if possible; and

(3) retrieve any data found on the media.

By letter dated March 23, 1992, GAO reported on its work on the Riconosciuto media. GAO reported that all four of the damaged media were analyzed, but that only one contained readable data. According to GAO the readable media was a tape that contained what seemed to be instructions for installing a modification to what appeared to be a word processing software package. The format and command sequence, according to GAO, resembled those seen on non-IBM minicomputers. One disk appeared to contain some sort of instructions but could not be read.

¹³⁴ During a December 1991 telephone conversation with committee investigators, Robert Booth Nichols said that he (Nichols) and Michael Riconosciuto had worked together at the Cabazon Indian Reservation in the early 1980's. Robert Booth Nichols stated that he had been hired by John Phillip Nichols who worked with Mr. Riconosciuto on the joint venture. During this December telephone conversation, Robert Nichols requested that his associate Peter Zokosky, an arms manufacturer, also be present during a future interview with committee investigators. Robert Nichols added that Mr. Zokosky had also known Michael Riconosciuto. (Memorandum of interview on file with committee.)

¹³⁵ Affidavit of William A. Hamilton, December 22, 1989, p. 7.

awareness of PROMIS during the time alluded to by Mr. Hamilton. Dr. Brian stated—based on advice from his counsel—that after Mr. Meese encountered problems during the 1984 independent counsel inquiry, he had no contact with Mr. Meese until after he resigned under a cloud as Attorney General in 1988. Dr. Brian further stated that he has had only a few conversations with Mr. Meese since then because their relationship had chilled.

There were, however, strong ties between Dr. Brian and Mr. Meese. An independent counsel investigation by Jacob Stein of Mr. Meese, initiated in April 1984, identified certain financial dealings involving Mr. and Mrs. Meese, Dr. Brian, and Mr. Edwin W. Thomas.¹³⁶ One major point of the investigation's focus was Mr. Meese's association with Dr. Brian, who was secretary of the agency for health and welfare in Governor Reagan's administration, and Mr. Edwin Thomas, who was a close friend of Dr. Brian and purchased stock in companies in which Dr. Brian was interested. Mr. Thomas loaned Mrs. Meese \$15,000 to purchase 2,000 shares of stock in a company called Biotech Capital Corporation, which was a venture capital firm created and controlled by Dr. Brian.¹³⁷ Before he actually made the loan, Mr. Thomas was offered a position as Assistant Counselor to the President by Mr. Meese in or about late December 1980 or early January 1981.¹³⁸ Mr. Stein concluded that there was substantial uncontradicted evidence that the Counselor position was offered by Mr. Meese to Mr. Thomas based on a longstanding personal and professional relationship between the two men. Following the loan, Mr. Thomas was named chief of the General Service Administration's San Francisco, CA, regional office.

Dr. Brian made a \$100,000 loan to Mr. Thomas to fund the purchase of a Virginia townhouse during the same period; however, these funds were mostly used to purchase stock.¹³⁹ Mr. Meese stated that he knew Dr. Brian from Reagan's governorship and had seen him perhaps a dozen times from 1974 through 1984. During the first 2 years of the administration of President Reagan, Dr. Brian served as the Chairman of a White House Health Care Cost Reduction Task Force which reported to Mr. Meese. Dr. Brian, at either his or Mr. Thomas' behest, was nominated by the President to the National Science Board based on a recommendation by Mr. Meese.¹⁴⁰

This nomination was approved by President Reagan, but later withdrawn. In his sworn statement to the committee, Dr. Brian stated that the reason he did not receive the position was due to

¹³⁶ Report of Independent Counsel Concerning Edwin Meese III, September 20, 1984.

¹³⁷ In a March 21, 1984, Washington Post article, it was reported that sources close to Meese said he decided to invest in Biotech because of his confidence in the company's founder, Earl W. Brian. Additionally, in the early months of the Reagan administration, Biotech received a special exemption from the Small Business Administration (SBA) which enabled the firm to obtain \$5 million in federally guaranteed financing. The article also reports that this exemption was facilitated by a phone call from an aide of then Vice President Bush to SBA Administrator, Michael Cardenas. According to the March 21, 1984, article, before founding Biotech in 1979, Brian headed a firm called Xonics Inc. In 1977, while Brian was president, the Securities and Exchange Commission (SEC) cited the firm for making false and misleading statements to stockholders, charges that Xonics later settled in an SEC consent decree without admitting or denying the charges. This article also reported that the SEC accused the firm of violating the consent decree.

¹³⁸ Report of the Independent Counsel, op. cit., p. 72.

¹³⁹ Ibid., pp. 234-235.

¹⁴⁰ Ibid., p. 244. Also, Dr. Brian's application for this position listed Mr. Meese as his supervisor.

a personality conflict between himself and the head of the National Science Foundation. Information in the FBI background report and the independent counsel report prepared by Mr. Stein directly contradicted Dr. Brian's statement to the committee about the reason his appointment was withdrawn. According to the report of the independent counsel, Dr. Brian's name was withdrawn from consideration because of issues raised in the background report by the FBI. FBI records also indicate that Dr. Brian was a candidate for a White House position in 1974 and that nomination was withdrawn as well.

During an interview by committee investigators, a confidential law enforcement source,¹⁴¹ who previously had been a member of Governor Reagan's cabinet, stated that he personally knew Dr. Brian and was aware of his close relationship with Mr. Meese. The source also said that he was aware of a situation in the 1970's in which Dr. Brian was accused of using computer software owned by the State of California for his [Dr. Brian] personal gain.¹⁴² The committee's investigation revealed that in 1974, Dr. Brian was involved in a controversy over the use of 3,000 reels of computer tapes owned by the State of California. According to a news account in the Los Angeles Times,¹⁴³ these tapes were transferred to Dr. Brian under questionable circumstances which on the surface share some similarity with certain aspects of the INSLAW affair, as alleged by Mr. Hamilton.

The newspaper report stated that during the final days of Governor Ronald Reagan's administration, computer tapes were given to Dr. Brian under a no-cost contract awarded by then chief deputy director of the State of California Health Department, David Winston. Mr. Winston later became an employee of Dr. Brian's. After Governor Reagan left office, the new health director, Robert Gnaidza, held a news conference and stated he was canceling the contract, which entrusted the computer tapes to Dr. Brian, because the tapes were of incalculable value as a research tool and that handing them to Dr. Brian was, in effect, "a gift of public property for private purposes."¹⁴⁴ Dr. Brian apparently acknowledged having obtained the tapes, but he denied that the tapes were a gift to him. According to the news account, he stated:

The entire matter is a blatant political ploy intended to obfuscate the abortive Gestapo raid ordered by the [present] health director.¹⁴⁵

The independent counsel investigation did not include an inquiry into the possible connections between Mr. Meese and Dr. Brian, and the theft of Enhanced PROMIS.¹⁴⁶

¹⁴¹ Memorandum of interview on file with the committee.

¹⁴² Memorandum of interview on file with committee.

¹⁴³ February 14, 1975 edition, Los Angeles Times, "Ex-Health Director Defends Tapes Move," p. 3.

¹⁴⁴ Ibid.

¹⁴⁵ Ibid., p. 3.

¹⁴⁶ Mr. Hamilton, in his affidavit, asserts that had their connection been known at the time, the independent counsel's investigation might well have included the theft of INSLAW's PROMIS software.

3. OTHER SOURCES ALLEGE WIDESPREAD DISTRIBUTION OF INSLAW'S ENHANCED PROMIS

Additional allegations of unauthorized distribution of INSLAW's Enhanced PROMIS software have been brought to the committee. Such allegations have been made by Charles Hayes (a surplus computer dealer), Ari Ben-Menashe and Juval Aviv (former Israeli intelligence officers) and Lester Coleman (self-professed writer and security consultant). These sources have stated that PROMIS has been illegally provided or sold to foreign governments including Canada, Israel, Singapore, Iraq, Egypt, and Jordan.¹⁴⁷

Where possible, the allegations were investigated to the extent possible. Yet, the committee's work was subject to great limitations in attempting to secure cooperation by both private and governmental sources. In some cases, the person or government providing the committee with information abruptly halted such cooperation, which had ostensibly begun in good faith. Such was the case with the Government of Canada. In other cases, individuals appeared to have withheld key documents which allegedly linked the Justice Department and CIA to the sale of the Enhanced PROMIS software internationally. The possible involvement of the CIA and foreign governments presented, in the end, insurmountable obstacles to the committee's attempts to thoroughly investigate the allegations raised in this matter. The CIA was not fully responsive to inquiries from the committee, and would, under no circumstances, provide the committee or GAO with the needed access to its files and personnel. Further, Congress is generally powerless to investigate allegations regarding activities outside the United States without the assistance of the host government. For these reasons, the information presented in the following sections is limited by the restrictive conditions that prevented a fully probative inquiry necessary to resolve a host of still unanswered questions and allegations surrounding INSLAW. Where possible, sworn statements were obtained from individuals alleging information on unauthorized PROMIS software distribution.

4. DOES THE GOVERNMENT OF CANADA HAVE THE PROMIS SOFTWARE?

During November 1990, the Hamiltons informed the committee that they received information from Mr. Marc Valois, a Canadian Government Department of Communications official, that INSLAW's PROMIS software was being used to support 900 locations throughout the Canadian Government.¹⁴⁸ During January 1991, the Hamiltons informed the committee they were told by Mr. Denis LaChance, a Canadian Government Department of Communications official, that the Royal Canadian Mounted Police (RCMP) was using INSLAW's PROMIS to support its field offices.¹⁴⁹

In a February 26, 1991, letter, the committee requested that the Ambassador of Canada, His Excellency Derek H. Burney, assist the

¹⁴⁷ In a sworn affidavit by Mr. Hamilton, allegations of other unauthorized distributions of Enhanced PROMIS have been made by unnamed U.S. Government officials. Mr. Hamilton contends that these sources, who will not come forward for fear of retribution, have alleged that PROMIS has been provided to agencies within and outside the Department of Justice including the Central Intelligence Agency (CIA), DEA and the FBI. Hamilton affidavit, December 22, 1989 (on file with the committee).

¹⁴⁸ Memorandum of interview on file with the committee.

¹⁴⁹ Sworn affidavit of Ms. Patricia C. Hamilton, Feb. 18, 1991, p. 2.

committee investigators in contacting knowledgeable Government officials to determine what version of the PROMIS software is being used by the Canadian Government. Subsequently, Mr. Jonathan Fried, Counselor for Congressional and Legal Affairs in the Canadian Embassy (Washington, DC), contacted the committee to express reluctance to fully cooperate with the committee because "Canadians had been burned once before by Congress." Mr. Fried insisted that the following specific conditions be met: (1) that interviews for individuals be conducted only in the presence of both the legal counsel for the Departments involved and their superiors; and (2) that no Canadian public servants would be witnesses in any foreign investigative proceedings. By letter dated March 19, 1991, the committee reluctantly agreed to the Canadian Government's conditions and identified Marc Valois and Denis LaChance as the two Canadian officials the committee wished to interview.

On March 22, 1991, committee investigators interviewed Mr. Valois and Mr. LaChance, the two Canadian officials who had alleged that the Canadian Government was using INSLAW's PROMIS software. Prior to the questioning of the two witnesses, the Government's counsel informed committee investigators that Mr. Valois and Mr. LaChance could only respond to questions specifically addressing the PROMIS software. He further stated that these two officials would not respond to questions concerning any allegation that four software programs that may have been acquired by the Canadian Government may be derivatives of the PROMIS software. The Canadian counsel informed the committee investigators that the committee would have to request in writing any information concerning the Canadian Government's involvement relating to the four software programs alleged to be derivatives of PROMIS.¹⁵⁰

Mr. Valois and Mr. LaChance stated that they had incorrectly identified INSLAW's PROMIS as the software being used by the Canadian Government. They further stated that, the PROMIS software identified to the Hamiltons as being their product was actually a project management software also named "PROMIS," developed by the Strategic Software Planning Corporation.¹⁵¹ They also denied any knowledge, or use, of a derivative of INSLAW's PROMIS. Subsequently, the president of the Strategic Software Planning Corporation acknowledged in a sworn statement to committee investigators that his company had sold a few copies of his firm's PROMIS software to the Canadian Government in May 1986.¹⁵²

By letter dated October 23, 1991, to the Canadian Ambassador, the committee again requested full cooperation with the committee's investigation. The Canadian Government was requested to provide information regarding software packages allegedly being used by the RCMP and CSIS identified as derivatives of INSLAW's Enhanced PROMIS by the Hamiltons. Additionally, it was requested that investigators be provided the names of knowledgeable

¹⁵⁰ Memorandum of interview on file with committee.

¹⁵¹ Interviews of Mr. Marc Valois, Mr. Denis LaChance, March 22, 1991, pp. 7 and 4, respectively, and Mr. Ed Bercovitz, March 7, 1991, pp. 4-8.

¹⁵² Sworn statement of Mr. Massimo Grimaldi, president of Strategic Software Planning Corporation, March 19, 1991, pp. 9-10.

THE INSLAW AFFAIR

INVESTIGATIVE REPORT

BY THE

COMMITTEE ON THE JUDICIARY

together with

DISSENTING AND SEPARATE DISSENTING VIEWS



SEPTEMBER 10, 1992.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
Washington, DC, September 10, 1992.

Hon. THOMAS S. FOLEY,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: By direction of the Committee on the Judiciary, I submit herewith an investigative report entitled "The INSLAW Affair."

JACK BROOKS, *Chairman.*

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102D CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
102-857

THE INSLAW AFFAIR

SEPTEMBER 10, 1992.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BROOKS, from the Committee on the Judiciary, submitted the following

INVESTIGATIVE REPORT

together with

DISSENTING AND SEPARATE DISSENTING VIEWS

BASED ON A STUDY BY THE FULL COMMITTEE

On August 11, 1992, the Committee on the Judiciary approved and adopted a report entitled, "The INSLAW Affair." The chairman was directed to transmit a copy to the Speaker of the House.

I. SUMMARY

The Department of Justice has long recognized the need for a standardized management information system to assist law enforcement offices across the country in the recordkeeping and tracking of criminal cases. During the 1970's, the Law Enforcement Assistance Administration (LEAA) funded the development by INSLAW¹ of a computer software system called the Prosecutor's Management Information System or PROMIS. This system was designed to meet the criminal prosecutor workloads of large urban jurisdictions; and by 1980, several large U.S. attorneys offices were using the PROMIS software. At this time, INSLAW (formerly

¹INSLAW, Inc., is a Washington, DC, based company engaged in computer software and systems analysis, particularly case management and decision support applications for legal and criminal justice oriented organizations.

called the Institute for Law and Social Research) was a nonprofit corporation funded almost entirely through Government grants and contracts. When President Carter terminated the LEAA, INSLAW converted the company to a for-profit corporation in 1981 to commercially market PROMIS. The new corporation made several significant improvements to the original PROMIS software and the resulting product came to be known as INSLAW's proprietary Enhanced PROMIS. The original PROMIS was funded entirely with Government funds and was in the public domain.

In March 1982, the Justice Department awarded INSLAW, Inc., a \$10 million, 3-year contract to implement the public domain version of PROMIS at 94 U.S. attorneys' offices across the country and U.S. Territories. While the PROMIS software could have gone a long way toward correcting the Department's longstanding need for a standardized case management system, the contract between INSLAW and Justice quickly became embroiled in bitterness and controversy which has lasted for almost a decade. The conflict centers on the question of whether INSLAW has ownership of its privately funded "Enhanced PROMIS." This software was eventually installed at numerous U.S. attorneys' offices after a 1983 modification to the contract. While Justice officials at the time recognized INSLAW's proprietary rights to any privately funded enhancements to the original public domain version of PROMIS, the Department later claimed that it had unlimited rights to all software supplied under the contract. (See section of report entitled, "The Department Misappropriated INSLAW Software.")

INSLAW attempted to resolve the matter several times but was largely met with indifference or hostility by Department officials. Eventually, the Department canceled part of the contract and, by February 1985, had withheld at least \$1.6 million in payments. As a result, the company was driven to the brink of insolvency and was threatened with dissolution under chapter 7 of the bankruptcy laws. Department officials have steadfastly claimed the INSLAW controversy is merely a contract dispute which has been blown out of proportion by the media. INSLAW's owners, William and Nancy Hamilton, however, have persisted in their belief that the Department's actions were part of a high level conspiracy within Justice to steal the Enhanced PROMIS software.

A. INSLAW ALLEGATIONS

Based on their knowledge and belief, the Hamiltons have alleged that high level officials in the Department of Justice conspired to steal the Enhanced PROMIS software system. As an element of this theft, these officials, who included former Attorney General Edwin Meese and Deputy Attorney General Lowell Jensen, forced INSLAW into bankruptcy by intentionally creating a sham contract dispute over the terms and conditions of the contract which led to the withholding of payments due INSLAW by the Department. The Hamiltons maintain that, after driving the company into bankruptcy, Justice officials attempted to force the conversion of INSLAW's bankruptcy status from Chapter 11: Reorganization to Chapter 7: Liquidation. They assert that such a change in bankruptcy status would have resulted in the forced sale of INSLAW'S assets, including Enhanced PROMIS to a rival computer company

nesses' sworn testimony.¹¹⁹ Although the committee's investigation could not reach a definitive conclusion regarding the motives behind the misappropriation of the Enhanced PROMIS software, the disturbing questions raised, unexplained coincidences and peculiar events that have surfaced throughout the committee's inquiry into the INSLAW case raises the need for further investigation.

Finally, as documented infra, the committee's investigation was unfortunately hampered by numerous obstacles which prevented it from conducting a complete review of several allegations during the investigation of the INSLAW case. This was particularly true of the allegations involving a possible criminal conspiracy by high level Government officials to steal, sell, and disseminate INSLAW's PROMIS software for secret or covert programs domestically and abroad.¹²⁰

Other events—including the arrest and conviction of a key informant and the death of a reporter covering the INSLAW matter—have only generated more questions about the INSLAW matter. Numerous potential witnesses refused to cooperate, for the stated reason that they were fearful for their jobs and retaliation by the Justice Department or that attempts had already been made to intimidate them against cooperating. Other witnesses directly contradicted the statements attributed to them by the Hamiltons and were clearly distressed that their names had been drawn into the web of the INSLAW conspiracy theory. Mr. Riconosciuto and others claimed to have direct knowledge of a conspiracy by high level Department officials to turn INSLAW's PROMIS software over to former Attorney General Meese's friend and former associate, Dr. Earl Brian.¹²¹ Finally, many witnesses have given conflicting and inconsistent testimony which may involve perjury and obstruction. The following is a brief discussion of these issues.

2. SWORN STATEMENT OF MICHAEL RICONOSCIUTO

Mr. Michael Riconosciuto, a self-described computer expert who in the past has been involved with contract computer and munitions work for U.S. intelligence agencies, was brought to the attention of the committee in June 1990. Mr. Riconosciuto alleged that he had access to information that clearly linked Dr. Earl Brian to

¹¹⁹ There is some measure of irony in the reaction of some current and former Department officials in their attempt to discredit automatically these allegations simply because of the past activities of certain witnesses who have worked "both sides" of the enforcement or intelligence communities. The Department showed no similar reluctance or moral fastidiousness in its recent prosecution of Manuel Noriega, which involved the use of over 40 witnesses, the majority of whom were previously convicted drug traffickers. Obviously, a witness' perceived credibility is not always indicative of the accuracy or usability in court of the information provided.

¹²⁰ The Department's unwillingness to allow congressional oversight into its affairs, in spite of an alleged coverup of wrongdoing, greatly hindered the committee's investigation of the INSLAW allegations. The Department delayed and hindered congressional inquiries into the INSLAW matter over several years. This committee consumed almost 2 years and had to resort to a subpoena to obtain key information. Even then, key Department files subpoenaed by the committee were reported lost and other key investigative files are still being denied on the basis that these files contain criminal investigative material. The committee also encountered serious problems with obtaining cooperation from U.S. intelligence and law enforcement agencies. While some limited level of assistance was eventually provided from these groups, it often took months to arrange even minimum cooperation. The committee also encountered virtually no cooperation in its investigation of the INSLAW matter beyond U.S. borders. The Government of Canada refused to make its officials available to committee investigators for interviews without strict limitations on the questioning. Also, see discussion in section entitled, "INSLAW Request for Independent Counsel," for greater detail.

¹²¹ See section of report entitled, "The Allegators."

the Department's theft of Enhanced PROMIS software. Mr. Riconosciuto alleged that Dr. Brian was given the software as a reward for work he had done for the Reagan Presidential campaign.¹²² In a sworn statement to Mr. and Mrs. Hamilton, Mr. Riconosciuto stated that in the early 1980's both he and Dr. Brian were associated with the Wackenhut Corporation¹²³ to work on a covert project on the Cabazon Indian Reservation located near Indio, California.¹²⁴

On March 21, 1991, Mr. Riconosciuto provided the Hamiltons a sworn affidavit detailing his involvement with Dr. Brian and Peter Videnieks, the Department's contracting official. Mr. Riconosciuto stated that while employed by the Wackenhut Corporation he was involved with the modification of proprietary Enhanced PROMIS software during calendar years 1983 and 1984. Mr. Riconosciuto further stated that the software was provided to him by Dr. Brian, who had obtained it from Mr. Videnieks. Mr. Riconosciuto alleged that the software modifications were made to facilitate implementation of PROMIS software—in particular, porting PROMIS to the systems in two Canadian agencies, the Royal Canadian Mounted Police (RCMP) and the Canadian Security and Intelligence Service (CSIS). According to Mr. Riconosciuto, the modified PROMIS software was implemented by these agencies, and Dr. Brian brokered the sale to the Canadian Government.¹²⁵

In his March 21, 1991, affidavit, Mr. Riconosciuto stated that in February 1991, Peter Videnieks told him in a telephone conversation that it would be beneficial for him to refuse a committee request for an interview.¹²⁶

Despite the alleged interference by the Department, Mr. Riconosciuto provided a sworn statement to committee investigators on April 4, 1991. In his statement, Mr. Riconosciuto directly connected his involvement with modifying PROMIS to Dr. Brian and Mr. Videnieks. Mr. Riconosciuto also provided information concerning the February 1991 telephone conversation with Mr. Videnieks, which he referred to in his March 21, 1991, statement to the Hamiltons. Mr. Riconosciuto further alleged that he had in his possession two copies of the tape recorded conversation at the time of his arrest and that the tapes are currently in the possession of the DEA agents who arrested him.¹²⁷

Mr. Riconosciuto described his role and work with Dr. John Nichols and the Wackenhut/Cabazon joint venture.¹²⁸ According to Mr. Riconosciuto, Dr. John Nichols was the director of the Wackenhut/Cabazon joint venture in Indio, CA.¹²⁹ Mr. Riconosciuto said that Dr. Nichols and Mr. Brian worked closely on a variety of international projects; and, during the joint venture, Dr. Nichols was

¹²² Memorandum to the record, June 21, 1990, prepared by William A. and Nancy B. Hamilton, p. 1.

¹²³ The Wackenhut Corporation is an investigation and security firm based in Coral Gables, Florida. It has been alleged that Wackenhut has been contracted to conduct covert investigations and other covert projects.

¹²⁴ Sworn affidavit of Michael Riconosciuto, March 21, 1991, p. 2 (on file with the committee).

¹²⁵ *Ibid.*, p. 1. [Also see section on Canada, p. 109.]

¹²⁶ *Ibid.*, p. 3.

¹²⁷ Sworn statement of Michael Riconosciuto, April 4, 1991, pp. 59-71.

¹²⁸ The Wackenhut-Cabazon joint venture sought to develop and/or manufacture certain materials that are used in military and national security operations, including night vision goggles, machineguns, fuel-air explosives, and biological and chemical warfare weapons.

¹²⁹ Sworn statement of Michael Riconosciuto, April 4, 1991, pp. 5-6.

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1496053-000

Total Deleted Page(s) = 102

Page 10 ~ b3; b6; b7C;
Page 11 ~ b3; b6; b7C;
Page 12 ~ b3;
Page 13 ~ b3; b6; b7C;
Page 16 ~ b3; b6; b7C;
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Page 79 ~ b6; b7C;
Page 80 ~ b6; b7C;
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Page 83 ~ b6; b7C;
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Page 85 ~ b6; b7C;
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Page 90 ~ b6; b7C;
Page 91 ~ b6; b7C;
Page 92 ~ b6; b7C;
Page 93 ~ b6; b7C;
Page 94 ~ b6; b7C;
Page 95 ~ b6; b7C;
Page 96 ~ b6; b7C;
Page 97 ~ b6; b7C;
Page 98 ~ b6; b7C;
Page 99 ~ b6; b7C;
Page 100 ~ b6; b7C;
Page 101 ~ b6; b7C;
Page 102 ~ b6; b7C;
Page 103 ~ b6; b7C;
Page 104 ~ b6; b7C;
Page 105 ~ b6; b7C;
Page 106 ~ b6; b7C;
Page 107 ~ b6; b7C;
Page 108 ~ b6; b7C;
Page 109 ~ b6; b7C;
Page 110 ~ b6; b7C;
Page 111 ~ b6; b7C;
Page 112 ~ b6; b7C;
Page 113 ~ b6; b7C;
Page 114 ~ b6; b7C;
Page 115 ~ b6; b7C;
Page 116 ~ b6; b7C;
Page 117 ~ b6; b7C;
Page 118 ~ b6; b7C;
Page 119 ~ b6; b7C;
Page 120 ~ b6; b7C;
Page 121 ~ b6; b7C;
Page 122 ~ b6; b7C;
Page 123 ~ b6; b7C;
Page 124 ~ b6; b7C;
Page 125 ~ b6; b7C;
Page 126 ~ b6; b7C;
Page 127 ~ b6; b7C;
Page 128 ~ b6; b7C;
Page 129 ~ b6; b7C;

Page 130 ~ b6; b7C;
Page 131 ~ b6; b7C;
Page 132 ~ b6; b7C;
Page 133 ~ b6; b7C;
Page 134 ~ b6; b7C;
Page 135 ~ b6; b7C;
Page 136 ~ b6; b7C;
Page 137 ~ b6; b7C;
Page 138 ~ b6; b7C;
Page 139 ~ b6; b7C;
Page 140 ~ b6; b7C;
Page 141 ~ b6; b7C;
Page 142 ~ b6; b7C;
Page 144 ~ Referral/Direct;
Page 145 ~ Referral/Direct;
Page 146 ~ Referral/Direct;
Page 147 ~ Referral/Direct;
Page 148 ~ Referral/Direct;
Page 149 ~ Referral/Direct;
Page 155 ~ b5; b6; b7C;
Page 156 ~ b5; b6; b7C;
Page 157 ~ b6; b7C;
Page 158 ~ b6; b7C;
Page 159 ~ b6; b7C;
Page 160 ~ b6; b7C;
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Page 163 ~ b6; b7C;
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Page 165 ~ b6; b7C;
Page 166 ~ b6; b7C;
Page 167 ~ b6; b7C;
Page 168 ~ b6; b7C;
Page 176 ~ b6; b7C;
Page 249 ~ Duplicate;

XXXXXXXXXXXXXXXXXXXXX
X Deleted Page(s) X
X No Duplication Fee X
X For this Page X
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File - Serial Charge Out
FD-5 (Rev. 10-13-89)

Date

4-11-96

File

29B LA 115702

Class.

Office of Origin

Case No.

Last Serial

☒ Pending

☐ Closed

Serial No.

Description of Serial

Date
Charged

FD-302's transferred

TO SUB-302 VOLUME.

Missing SERIALS (FD-302's)
Transferred

PERMANENT CHARGE OUT

DO NOT REMOVE OR DESTROY

PERMANENT CHARGE OUT
DO NOT REMOVE

ROUTING SLIP

TO: Los Angeles

FROM: SAC LAS VEGAS

DATE

10/14/92

Re urfile # 29B-LA-115702.

Las Vegas has searched your indices and is in need of indexing data for the following person(s), to be in compliance with Bureau indexing rules and regulations. Please provide any descriptive data (DOB, POB, Race, Sex and Identifying Numbers(s)) contained in your file for this/these person(s).

Las Vegas is grateful for any assistance you can provide.

Handwritten responses on this form is acceptable.

Name BRIAN, EARL, W
Race _____ Sex _____
DOB _____ POB _____
ID# _____

Name [REDACTED]
Race _____ Sex _____
DOB _____ POB _____
ID# _____

Name [REDACTED]
Race _____ Sex _____
DOB _____ POB _____
ID# _____

Name [REDACTED]
Race _____ Sex _____
DOB _____ POB _____
ID# _____

Name _____
Race _____ Sex _____
DOB _____ POB _____
ID# _____

Name _____
Race _____ Sex _____
DOB _____ POB _____
ID# _____

b6
b7C

b6
b7C

29B-LA-115702-130
[REDACTED] [REDACTED]
OCT 16 1992

INFORMATION COMMUNICATION

Date: 10/16/92

TO: ✓ LOS ANGELES
SQUAD WCC-1 (Encl. 4)

FROM: [REDACTED] VEGAS (RUC)

POINT OF CONTACT: IA [REDACTED]

TITLE: ✓ 29B-LA-115702
BRIAN, EARL; W. - CEO;
ET AL; FIF;
OO: LOS ANGELES

References: Los Angeles airtel to New York dated
September 29, 1992.

Enclosures: Enclosed for the Los Angeles Division is
the original and two copies of an FD-302 from IA [REDACTED]
[REDACTED] Also enclosed is the original executed
Grand Jury subpoena issued by the United States
District Court, Central District of California.

PURPOSE(S): Advise Los Angeles Division that on October 14,
1992, IA [REDACTED] served the Grand Jury subpoena on
[REDACTED] as requested in referenced airtel. No
outstanding leads remain in Las Vegas and this matter is being
placed in an RUC status.

1 - File Copy
1 - Work Copy
[REDACTED] (4)

UCFN: 29B-LA-R-115702

29B-LA-115702-131

| | |
|--------------|------------|
| SEARCHED | [REDACTED] |
| SERIALIZED | [REDACTED] |
| OCT 22 1992 | |
| FBI-LCS ANGE | |

b6
b7C

b3
b6
b7C

b6
b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/20/92

TO : SAC, LOS ANGELES (29B-115702) (WCC-1)
FROM : ADIC, NEW YORK (29B-LA-115702) (RUC) (C-2)
SUBJECT : EARL W. BRIAN-CEO;





b6
b7C

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO:LOS ANGELES

Re: LA airtel to NY dated 9/29/92

Enclosed for the LA office are the following:

1. The original executed subpoena for 

2. The original and two copies of the FD-302 reflecting service of the aforementioned subpoena.

b3

②-LA (En. 12)
1-NY


(5)

29B-LA-115702-132



OCT 24 1992



b6
b7C

Approved: Transmitted 

(Number) (Time)

Per _____

29B-LA-115702

3. The original executed subpoena for [REDACTED]
[REDACTED]
4. The original and two copies of the FD-302 reflecting service of the aforementioned subpoena.
5. The original executed subpoena for [REDACTED]
[REDACTED]
6. The original and two copies of the FD-302 reflecting service of the aforementioned subpoena.

b3

Due to the fact that no further investigation exists in the New York Division, this matter will be placed in a RUC status.

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:57

Case ID: 298-LA-115702 Serial: 134

Description of Document:

Type : FD302

Date : 10/20/92

To : LOS ANGELES

From : FA

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 146

Employee:

b6
b7C

United States District Court ORIGINAL

CENTRAL

DISTRICT OF CALIFORNIA

TO:

SUBPOENA TO TESTIFY BEFORE GRAND JURY

b3

SUBPOENA FOR:

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

PLACE

UNITED STATES COURTHOUSE
312 NORTH SPRING STREET
LOS ANGELES, CALIFORNIA 90012

COURTROOM

1346B

DATE AND TIME

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):*

SEE ATTACHMENT

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

LEONARD A. BROSNAH



DATE

September 17, 1992

b6
b7C

This subpoena is issued on application
of the United States of America
TERREE A. BOWERS
UNITED STATES ATTORNEY

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Assistant United States Attorney
1100 United States Courthouse
312 North Spring Street
Los Angeles, California 90012

Telephone:

*If not applicable enter none

NOTE: AN AGENT OF THE F.B.I. WILL DELIVER THE ABOVE MENTIONED DOCUMENT TO THE GRAND JURY SHOULD YOU DESIRE VOLUNTARILY TO SURRENDER THEM TO THE GRAND JURY IN ADVANCE OF THE GRAND JURY DATE INDICATED ABOVE.

Agent:
Phone: (310) 477-6565

United States District Court ORIGINAL

CENTRAL

DISTRICT OF CALIFORNIA

TO:

SUBPOENA TO TESTIFY BEFORE GRAND JURY

SUBPOENA FOR:

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below. b3

PLACE

UNITED STATES COURTHOUSE
312 NORTH SPRING STREET
LOS ANGELES, CALIFORNIA 90012

COURTROOM

1346B

DATE AND TIME

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):*

SEE ATTACHMENT

29B-LA-115702-135

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

b6
b7C

CLERK

DATE

EDWARD A. BROSNAN

September 17, 1992

This subpoena is issued on application
of the United States of America
TERREE A. BOWERS
UNITED STATES ATTORNEY

NAME ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Assistant United States Attorney
1100 United States Courthouse
312 North Spring Street
Los Angeles, California 90012

Telephone:

*If not applicable enter none

NOTE: AN AGENT OF THE F.B.I. WILL DELIVER THE ABOVE MENTIONED DOCUMENT TO THE GRAND JURY SHOULD YOU DESIRE VOLUNTARILY TO SURRENDER THEM TO THE GRAND JURY IN ADVANCE OF THE GRAND JURY DATE INDICATED ABOVE.

Agent:
Phone: (310) 477-6565

RETURN OF SERVICE (1)

| | | |
|--------------------|------------------|--------------------------|
| RECEIVED BY SERVER | DATE
10/19/92 | PLACE
New York Office |
| SERVED | DATE
10/19/92 | PLACE |
| SERVED ON (NAME) | | |
| SERVED | | |
| TRAVEL | SERVICES | TOTAL |

b3
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b7C

DECLARATION OF SERVER (2)

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on

Date

ADDITIONAL INFORMATION

(1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

(2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure; Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)".

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:58

Case ID: 29B-LA-115702 Serial: 136

Description of Document:

Type : FD302

Date : 10/20/92

To : LOS ANGELES

From : FA

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 147

Employee:

b6
b7C

United States District Court ORIGINAL

CENTRAL

DISTRICT OF CALIFORNIA

b3

TO:

SUBPOENA TO TESTIFY BEFORE GRAND JURY

SUBPOENA FOR:

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

PLACE

UNITED STATES COURTHOUSE
312 NORTH SPRING STREET
LOS ANGELES, CALIFORNIA 90012

COURTROOM

1346B

DATE AND TIME

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):*

SEE ATTACHMENT

29B-1A-115702-1137

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

LEONARD A. BROSNAH



DATE

September 17, 1992

b6
b7C

/ This subpoena is issued on application
of the United States of America
TERREE A. BOWERS
UNITED STATES ATTORNEY

Assistant United States Attorney
1100 United States Courthouse
312 North Spring Street
Los Angeles, California 90012

Telephone:

* If not applicable enter none

Agent: [REDACTED]
Phone: (310) 477-6565

NOTE: AN AGENT OF THE F.B.I. WILL DELIVER THE ABOVE MENTIONED DOCUMENT TO THE GRAND JURY SHOULD YOU DESIRE VOLUNTARILY TO SURRENDER THEM TO THE GRAND JURY IN ADVANCE OF THE GRAND JURY DATE INDICATED ABOVE.

RETURN OF SERVICE (1)

| | | |
|-----------------------|------------------|--------------------------|
| RECEIVED
BY SERVER | DATE
10/19/92 | PLACE
New York Office |
| SERVED | DATE
10/19/92 | PLA |
| SERVED ON (NAME) | | |

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b7C

| | |
|----|--|
| SE | |
|----|--|

| | | |
|--------|----------|-------|
| TRAVEL | SERVICES | TOTAL |
|--------|----------|-------|

DECLARATION OF SERVER (2)

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of

correct.

Executed on

10/20/92
Date

ADDITIONAL INFORMATION

(1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

(2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure; Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)".

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/16/97 Time: 23:58

Case ID: 29B-LA-115702 Serial: 138

Description of Document:

Type : FD302

Date : 10/20/92

To : LOS ANGELES

From : FA

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 148

Employee:

b6
b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/29/92

TO : SAC, LOS ANGELES (29B-LA-115702) (WCC-1) (P)
FROM : [redacted] WMFO (RVC)
SUBJECT : EARL W. BRIAN-CEO;
et al:
FIF
OO:LA

Re Los Angeles airtel to New York 9/29/92

Enclosed for Los Angeles are executed copies of
subpoenas served by SA [redacted]
[redacted]
[redacted]

② - Los Angeles (enc. 2)
1 - WMFO
[redacted]
(3)

29B-LA-115702-139

| | | |
|-------------------|------------|-------|
| SEARCHED | SERIALIZED | FILED |
| NOV 12 1992 | | |
| FBI - LOS ANGELES | | |

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/17/97 Time: 00:02

Case ID: 298-LA-115702 Serial: 139X1

Description of Document:

Type : FD302

Date : 11/10/92

To : LOS ANGELES

From : SA [REDACTED]

Topic: [REDACTED]

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 149

Employee: [REDACTED]

b6
b7c

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 11/19/92

TO : ADIC, NEW YORK
 FROM : SAC, LOS ANGELES (29B-LA-115702) (WCC-1) (P)
 SUBJECT : EARL W. BRIAN-CEO:

FINANCIAL NEWS NETWORK, INC.,
 INFOTECHNOLOGY, INC. - CUSTOMER,
 SECURITY PACIFIC NATIONAL BANK,
 LOS ANGELES, CALIFORNIA
 FIF
 OO: LOS ANGELES

Enclosed for New York are the following:

1. Original and two copies of a Federal Grand Jury subpoena for [REDACTED]
2. Original and two copies of a Federal Grand Jury subpoena for [REDACTED]

Enclosed for Newark are the following:

1. Original and two copies of a Federal Grand Jury subpoena for [REDACTED]

- 2 - New York (Enc. 6)
 2 - Newark (Enc. 3)
 2 - WMFO (Enc. 3)
 ② - Los Angeles

[REDACTED]
 (8)

29B-LA-115702-140
 SEARCHED [REDACTED]
 INDEXED [REDACTED]
 SERIALIZED [REDACTED]
 FILED [REDACTED]

Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

b6
b7Cb3
b6
b7Cb6
b7C

29B-LA-115702

Enclosed for WMFO are the following:

1. Original and two copies of a Federal Grand Jury
subpoena for [REDACTED]

b3
b6
b7C

For information of receiving offices, this investigation was predicated by a Los Angeles Times article indicating that TELEVISION NETWORK, FINANCIAL NEWS NETWORK (FNN), was experiencing severe financial difficulties, in particular, meeting its debt obligations on more than \$70 million in lines of credit to both SECURITY PACIFIC NATIONAL BANK and TORONTO DOMINION BANK.

Investigation to date has determined that the FNN financial statements submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets and lease commitments. Former FNN employees have also advised that FNN's financial statements were also altered before being distributed to FNN's Board of Directors.

LEADS

NEW YORK

AT NEW YORK, NEW YORK: (1) Will serve enclosed
subpoena to [REDACTED]
[REDACTED]

(2) Will serve enclosed subpoena to [REDACTED]
[REDACTED]

b3
b6
b7C

NEWARK

AT [REDACTED] Will serve enclosed
subpoena to [REDACTED]
[REDACTED]

29B-LA-115702

WMFO

to AT WASHINGTON, D.C.: Will serve enclosed subpoena

b3
b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/17/97 Time: 00:03

Case ID: 29B-LA-115702 Serial: 140X1

Description of Document:

Type : FD302

Date : 11/26/92

To : LOS ANGELES

From : SA

Topic

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 150

Employee

b6
b7c

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 11/30/92

From : SA [REDACTED]

Subject: EARL W. BRIAN,
FORMER CHIEF EXECUTIVE OFFICER;

b6
b7C

[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

This memo is to document the deposition of [REDACTED]
[REDACTED] taken on 1/28/91, by [REDACTED]
Investigator, United States Securities Exchange Commission, 1220
L Street, N.W., Suite 600, Washington, D. C., 20005, telephone
number [REDACTED]

[REDACTED] is represented by [REDACTED] Attorney,
KUTAK, ROCK, & CAMPBELL, 1101 Connecticut, N.W., Washington, D.
C., 20036. [REDACTED] date of birth is [REDACTED] and Social
Security Number is [REDACTED] is currently living at [REDACTED]
[REDACTED] telephone [REDACTED]

b6
b7C

In 1981, [REDACTED] started employment at UNITED PRESS
INTERNATIONAL (UPI) as [REDACTED]
[REDACTED] remained employed at UPI until November, 1990. While at
UPI, [REDACTED] for the New York
Metro area and then later promoted to manager of contract
administration and billing. In 1986, [REDACTED] was transferred to
Washington, D.C., and became [REDACTED] UPI.
[REDACTED] was then transferred in November, 1992, to FINANCIAL NEWS
NETWORK (FNN) as [REDACTED] currently reports

b6
b7C

(2)

29B-LA-115702-141

b6
b7C

29B-LA-115702

to [redacted]
[redacted] at FNN. While at UPI, [redacted] reported to [redacted]
[redacted] also worked at UPI from the beginning
of 1990. [redacted] was transferred to FNN as [redacted]
and reports to [redacted] formerly worked at
TELECOMMUNICATIONS INDUSTRIES, INC., TII. While at TII, [redacted]
reported to [redacted]

b6
b7C

Once INFOTECHNOLOGY (INFOTECH) purchased UPI, [redacted]
[redacted] were made signatories on all of the UPI
accounts. [redacted] never did any day to day work at UPI, but once
in a while if [redacted] was not around as a second signature,
[redacted] would contact [redacted] and ask that he sign a check or
two. [redacted] really did not have a lot to do with UPI during the
1988 period. [redacted] did request or direct payments be made by
UPI to INFOTECH related companies. [redacted] was sort of the
coordinator for the related party billings. [redacted] and his
staff prepared invoices to UPI that charged out all billings for
UPI. After approximately a year or two, the related party
billings were more a responsibility of INFOTECH headquarters
rather than [redacted] at ACS.

b6
b7C

[redacted] first heard of vertical blanking interval (VBI)
products very early after INFOTECH took over VBI. It was
described from the very beginning to [redacted] as one of the main
energies between INFOTECH companies and UPI. Both INFOTECH and
UPI were benefitting because there were so many capabilities in
what the VBI delivery systems were, which allowed both companies
to do work for a lot less money. This was because the delivery
systems were via television broadcast. The general idea was that
FNN had VBI already delivered to 35 million homes, therefore,
there were 35 million hookups. UPI could deliver to those same
35 million homes UPI's communications system and it would be much
cheaper for UPI. [redacted] believed that the ticker portion of the
FNN show used the VBI technology to transfer data.

b6
b7C

[redacted] did not believe that UPI received any invoices
relating to a VBI licensing and distribution agreement prior to a
6/30/88 invoice shown by the SEC to [redacted] was not

sure who prepared the invoice dated 6/30/88. After resigning from UPI and starting employment at FNN, [] believed that the way FNN did accounting between FNN and its affiliate, DATA BROADCASTING CORPORATION (DBC), FNN would record UPI invoices and then with an inter-company transfer, move the same invoice to DBC's books. [] advised he had spoken to the DBC controller who said that DBC would get copies of the same invoices subsequent to the end of the quarter. [] could not recall ever being aware of this accounting system prior to starting employment at FNN. [] did advise that invoices were not paid to FNN upon receipt. UPI paid invoices mostly when UPI's cash flow situation allowed. Most of the time it was at the request of [] FNN, who would telephone [] and say "We need a VBI payment made." [] was in control of getting the financing for UPI so he knew when UPI had enough money to make a payment. [] would then say "We need a million dollars paid off this bill." [] recalled [] telling [] telephone calls. The checks would be made payable to FNN and would be sent overnight. The payments were directly sent to FNN in Los Angeles and not DBC in Vienna, Virginia. Although the invoices specified that the invoices were to be remitted to Vienna, Virginia, the invoices were paid directly to FNN.

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[] never spent any significant amount of time examining any invoices from any of INFOTECH's subsidiaries or FNN. Intercompany invoices was not [] responsibility. [] felt that he did not deal with the other INFOTECH related parties and he did not have anything to do with them except to account for their invoices. [] assumed that discussions regarding validity of invoices was discussed at a different level. When asked by the SEC if [] considered it part of his job to verify the correctness or the reasonableness of the invoices, [] advised that he did not. [] advised that he did not recall receiving invoices from FNN for the September and December, 1989 quarters until March or April of 1990. This would have been during UPI's fiscal year-end audit. [] advised that it was not uncommon to receive September 30 and December 31 quarter ended billings for 1989 from FNN during 1990.

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[] advised he did not have any basis for knowing whether or not DBC actually did any work for UPI or not. [] advised he had never heard or become aware that DBC was actually not performing the work it was billing UPI for. [] advised he had never visited DBC's facility in Vienna, Virginia.

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[] then advised that it was his testimony that payments were requested by FNN per [] in order to pay UPI bills to FNN and DBC for the VBI project. When asked if UPI was able to pay for VBI charges with cash generated from its own operations, [] advised that he did not believe that UPI was in a cash flow positive situation. [] was asked if he had ever heard that the money being paid by UPI had been from sale lease back transactions. [] advised that he had heard that the money was from sale lease back transactions and believed he had heard this through [] had heard that UPI was selling equipment to leasing companies in order to obtain cash for UPI's operations and to allow FNN to use the equipment. It was [] understanding that this was [] idea. [] was responsible for all the leasing transactions.

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[] testified that it was his understanding that HADRON (an INFOTECH related company) had entered into equipment leases on UPI's behalf. Again these leases were arranged by [] further testified that the INFOTECH company that [] chose to use for the early leasing arrangements was HADRON and that later [] switched over to FNN subsequent to placing the first few leases with HADRON. [] believed that HADRON was involved because their financial condition permitted leasing companies to make these arrangements. UPI's financial condition probably would not have allowed any leasing company to do business with them.

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[] was asked if he had ever heard or become aware that the purpose or one of the purposes of the six HADRON leases was to get cash into UPI which it could then use to pay FNN for the VBI billings. [] responded that there was never any discussion about these particular leases having that kind of motive. [] stated that from his point of view, VBI was one of UPI's payables and was one of the reasons UPI needed to get additional financing. VBI was also used in order to pay bills along with operating bills. [] never heard that some of the equipment was being double-leased.

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[] advised that [] was UPI's [] [] was responsible for acting as an liaison with the DELOITTE AND TOUCHE, CPA's (DELOITTE) auditors as well as [] further advised [] was also involved in the audit, but had not been familiar with all the prior year transactions. [] was asked why most of the sale

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lease-back transactions UPI was involved in for which it received or at least recorded a total of approximately \$25 million of gain in saleable equipment during 1989 was sold to leasing companies through TII and sometimes MICRORESEARCH INDUSTRIES (MRI).

[] was also asked if he had ever heard why TII and MRI were involved as middlemen in these transactions. [] responded that the reason he had heard was that MRI and TII had the kind of business and the kind of licenses necessary to do equipment sales. When asked what [] understanding of TII and MRI businesses were, [] responded he was not very familiar with them. [] knew that they both had a hardware selling division and they also did software work for the government "on the hill". [] advised that the leasing companies would pay the money for the sale lease-back to TII or MRI and TII or MRI would then remit the money to UPI in most cases. [] also advised that [] controlled the cash flow at TII and MRI. [] also believed that everything with TII's bank account was under the specific instructions of []

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[] testified that it was his understanding that FNN was developing a product called FNN:PRO. FNN:PRO was developing money to be invested in INFOTECH's company, Institutional Research Network (IRN). IRN was the corporate entity that INFOTECH wanted to use to deploy the FNN:PRO product. [] further stated that FNN transferred money to IRN to represent an investment in IRN. The source of the money, though, for that investment was the sale lease back proceeds of FNN equipment sales. It had nothing to do with UPI. When asked why IRN never remitted an essential portion of that money to UPI, [] responded they were remitted to both UPI and FNN for services those two companies provided in the development of the FNN:PRO product. When asked what services UPI provided to IRN, [] responded the FNN:PRO product. FNN:PRO is sort of a PC based product in which one gets their screen divided into several parts and one part is FNN video and one part is stockmarket information and another part is the UPI news report.

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[] advised he has met [] a couple of times at the FNN:PRO announcements. [] advised that [] was at UPI once [] was promoted to FNN. [] is the person who probably has information on how the IRN money was physically transferred to UPI.

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 18:51

Case ID: 298-LA-115702 Serial: 142

Description of Document:

Type : FD302

Date : 12/02/92

To : LOS ANGELES

From : FA

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 151

Employee:

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 18:52

Case ID: 29B-LA-115702 Serial: 143

Description of Document:

Type : FD302

Date : 12/02/92

To : LOS ANGELES

From : FA

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 152

Employee:

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 18:53

Case ID: 29B-LA-115702 Serial: 144

Description of Document:

Type : FD302

Date : 12/02/92

To : LOS ANGELES

From : FA

Topic

b6
b7C

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 153

Employee:

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 12/3/92

TO : SAC, LOS ANGELES (WCC-1)
 FROM : ADIC, NEW YORK (29B-LA-115702) (RUC) (C-2)
 SUBJECT : EARL W. BRIAN-CEO;



FINANCIAL NEWS NETWORK, INC.,
 INFOTECHNOLOGY, INC. - CUSTOMER,
 SECURITY PACIFIC NATIONAL BANK,
 LOS ANGELES, CALIFORNIA
 FIF
 OO: LOS ANGELES

Reference Los Angeles airtel to New York, dated
 11/19/92.

Enclosed for Los Angeles are the following:

1. Two (2) original executed Grand Jury subpoenas.
2. FD-302 in three (3) originals and six (6) copies reflecting service of the above subpoenas.

2-Los Angeles (Encls. 11)
 1-New York

(4)

29B-LA-115702-145

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|-------------------|--|------|--|
| SEARCHED | | AL17 | |
| SERIALIZED | | 0 | |
| DEC 10 1992 | | | |
| FBI - LOS ANGELES | | | |

Approved:

Transmitted

(Number) (Time)

Per

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b7Cb6
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29B-LA-115702

For information of Los Angeles, the subpoena
addressed to [REDACTED]
[REDACTED] was accepted via facsimile by [REDACTED]
[REDACTED] and by [REDACTED]
[REDACTED] The subpoena addressed to [REDACTED] was
served to him personally in New York City.

b3
b6
b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 12/9/92

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TO : SAC, LOS ANGELES (WCC-1)
FROM : SAC, NEWARK (29B-LA-115702) (RUC) (C-5)
SUBJECT : EARL W. BRIAN - CEO;

ET AL;
FIF;
OO: LOS ANGELES

Re: Los Angeles airtel to New York, dated
11/19/92.

Enclosed for Los Angeles are the following:

1. Original executed Grand Jury subpoena.
2. Original and one copy of FD-302 reflecting
service of subpoena.

Newark considers this matter in RUC'd status.

2-Los Angeles (Encl. 3)
1-Newark

(3)

29B-LA-115702-146

DEC 9 1992

b6
b7C

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 12/17/92

TO : SAC, LOS ANGELES (29B-LA-115702) (WCC-1) (P)
 FROM : SAC, WMFO (RUC)
 SUBJECT : EARL W. BRIAN-CEO;
 et al
 FIF
 OO:LA

Re Los Angles airtel to New York dated 11/19/92

Enclosed for Los Angeles is [REDACTED]

On 12/14/92, [REDACTED]

telephone [REDACTED] advised that [REDACTED] was out of the office, leaving town, and would not return until 12/18/92. [REDACTED] refused to accept the subpoena for [REDACTED] because it was addressed to [REDACTED] personally.

On 12/18/92, [REDACTED] telephone [REDACTED] contacted SA [REDACTED] by telephone and advised that she would authorize her secretary, [REDACTED] to accept service of the subpoena.

On 12/18/92, SA [REDACTED] served the original of the enclosed subpoena on [REDACTED]

② - Los Angeles (enc. 1)
 1 - WMFO

(3)

29B-LA-115702-1497

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|-----------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| JAN 4 1995 | |
| FBI-LOS ANGELES | |

Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

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b7Cb3
b6
b7Cb6
b7Cb6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 18:53

Case ID: 29B-LA-115702 Serial: 148

Description of Document:

Type : MEMO

Date : 12/08/92

To : LOS ANGELES

From : SA [REDACTED]

Topic: [REDACTED]

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 154

Employee: [REDACTED]

b6
b7c

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 12/17/92

From : SA [REDACTED]

Subject: EARL W. BRIAN,
FORMER CHIEF EXECUTIVE OFFICER:

b6
b7C

[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

This memo is to document that on 12/3/92, SAs [REDACTED]

[REDACTED] met with AUSA [REDACTED] AUSA

[REDACTED] Forensic Auditor, AUSA's

Office, regarding a plea agreement between the government and

[REDACTED] Representing [REDACTED] was [REDACTED] Attorney.

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29B-LA-115702-149

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| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| DEC 21 1992 | |
| FBI - LOS ANGELES | |

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29B-LA-115702

[redacted] were advised [redacted]
[redacted]
[redacted]

[redacted] advised that he would contact AUSA [redacted]
[redacted]

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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 1/12/93

From : SA [redacted]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

b6
b7C

[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

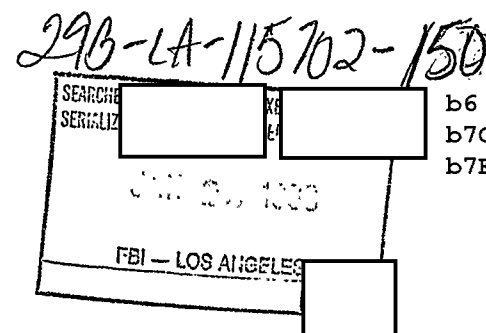
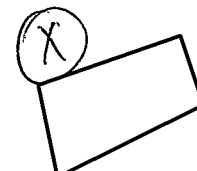
SA [redacted] has been instructed by SSA [redacted] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date.

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② 29B-LA-115702

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29B-LA-115702-151



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INSLAW

THE INSLAW OCTOCTUS

SOFTWARE PIRACY, CONSPIRACY, COVER-UP,
STONEWALLING, COVERT ACTION

JUST ANOTHER DECADE AT THE DEPARTMENT OF JUSTICE

BY RICHARD L. FRICKER



Edwin Meese was apparently quite taken with PROMIS. He told an April 1981 gathering of prosecutors that PROMIS was "one of the greatest opportunities for [law enforcement] success in the future."

The House Judiciary Committee lists these crimes as among the possible violations perpetrated by "high-level Justice officials and private individuals":

- Conspiracy to commit an offense
- Fraud
- Wire fraud
- Obstruction of proceedings before departments, agencies and committees
- Tampering with a witness
- Retaliation against a witness
- Perjury
- Interference with commerce by threats or violence
- Racketeer Influenced and Corrupt Organizations (RICO) violations
- Transportation of stolen goods, securities, moneys

THE INSLAW AFFAIR

INVESTIGATIVE REPORT

BY THE

COMMITTEE ON THE JUDICIARY

together with

MINORITY AND SEPARATE DISSENTING VIEWS



As the contract problems with the DOJ emerged, Hamilton received a call from Dominic Laiti, CEO of Hadron. Laiti wanted to buy Inslaw. Hamilton refused to sell. According to Hamilton, Laiti then warned him that Hadron had friends in the government. If Inslaw didn't sell willingly, it would be forced to sell.

Bill Hamilton, Inslaw & PROMIS



Who:

Bill Hamilton and his wife, Nancy Hamilton, start Inslaw to nurture PROMIS (Prosecutors Management Information Systems).

Why #1:

The DOJ, aware that its case management system is in dire need of automation, funds Inslaw and PROMIS. After creating a public-domain version, Inslaw makes significant enhancements to PROMIS and, aware that the US market for legal automation is worth \$3 billion, goes private in the early '80s.

Why #2:

Designed as case-management software for federal prosecutors, PROMIS has the ability to combine disparate databases, and to track people by their involvement with the legal system. Hamilton and others now claim that the DOJ has modified PROMIS to monitor intelligence operations, agents and targets, instead of legal cases.

By late November, 1992 the nation had turned its attention from the election-weary capital to Little Rock, Ark., where a new generation of leaders conferred about the future. But in a small Washington D.C. office, Bill Hamilton, president and founder of Inslaw Inc., and Dean Merrill, a former Inslaw vice president, were still very much concerned about the past.

The two men studied six photographs laid out before them. "Have you ever seen any of these men?" Merrill was asked. Immediately he singled out the second photo. In a separate line up, Hamilton's secretary singled out the same photo.

Both said the man had visited Inslaw in February 1985 for a presentation of PROMIS, Inslaw's bread-and-butter legal software. Hamilton, who knew the purpose of the line-up, identified the visitor as Dr. Ben Orr. At the time of his visit, Orr claimed to be a public prosecutor from Israel.

Orr was impressed with the power of PROMIS (Prosecutors Management Information Systems), which had recently been updated by Inslaw to run on powerful 32-bit VAX computers from Digital Equipment Corp. "He fell in love with the VAX version," Hamilton recalled.

Dr. Orr never came back, and he never bought anything. No one knew why at the time. But for Hamilton, who has fought the Department of Justice (DOJ) for almost 10 years in an effort to salvage his business, once his co-workers recognized the man in the second photo, it all made perfect sense.

For the second photo was not of the mysterious Dr. Orr, it was of Rafael Etian, chief of the Israeli defense force's anti-terrorism intelligence unit. The Department of Justice sent him over for a look at the property they were about to "misappropriate," and Etian liked what he saw. Department of Justice documents record that one Dr. Ben Orr left the DOJ on May 6, 1985, with a computer tape containing PROMIS tucked under his arm.

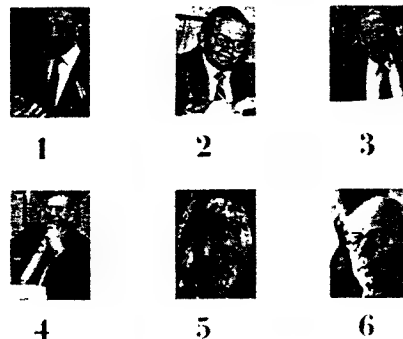
What for the past decade has been known as the Inslaw affair began to unravel in the final, shredder-happy days of the Bush administration. According to Federal court documents, PROMIS was stolen from Inslaw by the Department of Justice directly after Etian's 1985 visit to Inslaw (a later congressional investigation preferred to use the word "misappropriated"). And according to sworn affidavits, PROMIS was then given or sold at a profit to Israel and as many as 80 other countries by Dr. Earl W. Brian, a man with close personal and business ties to then-President Ronald Reagan and then-Presidential counsel Edwin Meese.

A House Judiciary Committee report released last September found evidence raising "serious concerns" that high officials at the Department of Justice executed a pre-meditated plan to destroy Inslaw and co-opt the rights to its PROMIS software. The committee's call for an independent counsel have fallen on deaf ears. One journalist, Danny Casolaro, died as he attempted to tell the story (see sidebar), and boxes of documents relating to the case have been destroyed, stolen, or conveniently "lost" by the Department of Justice.

But so far, not a single person has been held accountable.

Hired has spent two years searching for the answers to the questions Inslaw poses: Why would Justice steal PROMIS? Did it then cover up the theft? Did it let associates of government officials sell PROMIS to foreign

Suspect No. 2 in the photo line-up was not the mysterious Dr. Orr, as he had introduced himself that fateful day 10 years ago. Photo No. 2 was of Rafael Etian, chief of the Israeli defense force's anti-terrorism intelligence unit. The DOJ sent him over for a look at the property they were about to "misappropriate,"



and Etian liked what he saw.

For Bill Hamilton, who had fought the DOJ for those 10 years to salvage his business, once his co-workers identified suspect No. 2 it all made perfect sense.

governments, which then used the software to track political dissidents instead of legal cases? (Israel has reportedly used PROMIS to track troublesome Palestinians.)

The implications continue: that Meese profited from the sales of the stolen property. That Brian, Meese's business associate, may have been involved in the October Surprise (the oft-debunked but persistent theory that the Reagan campaign conspired to insure that US hostages in Iran were held until after Reagan won the 1980 election, see sidebar). That some of the moneys derived from the illegal sales of PROMIS furthered covert and illegal government programs in Nicaragua. That Oliver used PROMIS as a population tracking instrument for his White House-based domestic emergency management program.

Each new set of allegations leads to a new set of possibilities, which makes the story still more difficult to comprehend. But one truth is obvious: What the Inslaw case presents, in its broadest possible implications, is a painfully clear snapshot of how the Justice Department operated during the Reagan-Bush years.

This is the case that won't go away, the case that shows how justice and public service gave way to profit and political expediency, how those within the administration's circle of privilege were allowed to violate private property and civil rights for their own profit.

Sound like a conspiracy theorist's dream? Absolutely. But the fact is, it's true.

The Background

Imagine you are in charge of the legal arm of the most powerful government on the face of the globe, but your internal information systems are mired in the archaic technology of the 1960s. There's a Department of Justice database, a CIA database, US Attorney's database, an IRS database, and so on, but none of them can share information. That makes tracking multiple offenders pretty darn difficult, and building cases against them a long and bureaucratic task.

Along comes a computer program that can integrate all these databases, and it turns out its development was originally funded by the government under a Law Enforcement Assistance Administration grant in the 1970s. That means the software is public domain...free!

Edwin Meese was apparently quite taken with PROMIS. He told an April 1981 gathering of prosecutors that PROMIS was "one of the greatest opportunities for [law enforcement] success in the future." In March 1982, Inslaw won a \$9.6 million contract from the Justice Department to install the public domain version of PROMIS in 20 US Attorney's offices as a pilot program. If successful, the company would install PROMIS in the remaining 74 federal prosecutors' offices around the country. The eventual market for complete automation of the Federal court system was staggering: as much as \$5 billion, according to Bill Hamilton. But Hamilton would never see another federal contract.

Designed as a case-management system for prosecutors, PROMIS has the ability to track people. "Every use of PROMIS in the court system is tracking people," said Hamilton. "You can rotate the file by case, defendant, arresting officer, judge, defense lawyer - and it's tracking all the names of all the people in all the cases."

What this means is that PROMIS can provide a complete rundown of all federal cases in which a lawyer has been involved, or all the cases in which a lawyer has represented defendant A, or all the cases in which a lawyer has represented white-collar criminals, at which stage in each of the cases the lawyer agreed to a plea bargain, and so on. Based on this information, PROMIS can help a prosecutor determine when a plea will be taken in a particular type of case.

But the real power of PROMIS, according to Hamilton, is that with a staggering 570,000 lines of computer code, PROMIS can integrate innumerable databases without requiring any reprogramming. In essence, PROMIS can turn blind data into information. And anyone in government will tell you that information, when wielded with finesse, begets power. Converted to use by intelligence agencies, as has been alleged in interviews by ex-CIA and Israeli Mossad agents, PROMIS can be a powerful tracking device capable of monitoring intelligence



Dr. Earl W. Brian has made quite a career of riding Reagan and Meese's coattails. After a stint in Vietnam, where he worked as a combat physician in the unit that supplied air support for Operation Phoenix, Brian returned to California with a chest full of ribbons and a waiting job - as Secretary of Health - with then-Governor Reagan's administration. (Operation Phoenix, a well-documented CIA political assassination program, used computers to track "enemies" in Vietnam.)

In 1974, Brian resigned his cabinet post with Governor Reagan to run for the Senate against Alan Cranston. After his defeat, Brian moved into the world of business and soon ran into trouble. His flagship company, Xionics, was cited by the Security and Exchange Commission for issuing press releases designed to boost stock prices with exaggerated or bloated information. The SEC also accused Xionics of illegally paying "commissions" to brokers, according to SEC documents.

At the close of the Reagan governorship, Brian was involved in a public scandal having to do with - surprise - stolen computer tapes. The tapes, which contained records of 70,000 state welfare files, were eventually returned - Brian claimed he had a right to them under a contract signed in the last hours of the administration. (Brian said he just wanted to develop a better way of doing welfare business.)

In 1980, Brian formed Biotech Capital Corp., a venture capital firm

Earl W. Brian, The Consummate Insider

designed to invest in biological and medical companies. Ultimately, Brian has invested in and owned several companies, including FNN (Financial News Network) and UPI, both of which ended up in dire financial straits.

Ursula Meese, who like her husband knew Brian from the Reagan cabinet, was an early investor in Biotech, using \$15,000 (borrowed from Edwin Thomas, a Meese aide in the White House and another Reaganite from California) to purchase 2,000 shares on behalf of the Meese's two children, according to information made public during Meese's confirmation hearings for Attorney General.

It is those Reagan-Meese connections that continue to drag Brian into the Inslaw affair. For why would Brian, of all people, be the recipient of stolen PROMIS? PROMIS, after all, was a major part in government automation contracts estimated at \$3 billion, according to Inslaw President Bill Hamilton. That's quite a political plum.

One possibility is Ed and Ursula Meese's financial connections to Brian. Another is a payoff for Brian's role in the October Surprise (see story at right).

Even if he manages to evade the Inslaw allegations, Brian may still be in hot water. As of this writing, Financial News Network's financial dealings were under investigation by a Los Angeles Grand Jury, according to sources who have testified before it. — RLF

What A Surprise!

**Earl W. Brian Says He Wasn't in Paris in October 1980,
but Investors Were Told a Different Story**



Coincidence? When Reagan took office, the hostages were released.

As Inslaw President Bill Hamilton moved his company from non-profit status to the private sector in 1980, Ronald Reagan was running for President, negotiations for the release of the American hostages in Iran had apparently hit a snag, and Dr. Earl W. Brian was touring Canada touting stock in his newly acquired Clinical Sciences Inc.

History records that the hostages were released as Ronald Reagan took the Presidential oath of office, and that shortly thereafter, Inslaw received a \$9.6 million contract from the Department of Justice. At the same time, Earl Brian was appointed to a White House post to advise on health-care issues. Brian reported directly to Ed Meese. He also arranged White House tours to woo investors in his government contracting company, Hadron Inc., according to a Canadian investment banker who took a tour.

But these seemingly random historical connections between Inslaw, Hadron, the Reagan White House and Earl Brian take on a new meaning when considered in light of the "October Surprise," the persistent allegation that the Reagan campaign negotiated with Iranian officials to guarantee that US hostages would not be released before Reagan won election in 1980.

The October Surprise theory hinges in part on alleged negotiations between the Reagan

campaign and the Iranians on the weekend of Oct. 17-21, 1980, in Paris, among other places.

The deal, according to former Iranian President Abol Hassan Bani-Sadr, ex-Israeli spy Ari Ben Menashe, and a former CIA contract agent interviewed by *Wired*, included the payment of \$40 million to the Iranians.

According to several sources, Earl Brian, one of Reagan's close advisors, made it quite clear that he was planning to be in Paris that very weekend. Ben Menashe, who says he was one of six Israelis, 12 Americans and 16 Iranians present at the Paris talks, said, "I saw Brian in Paris."

Brian was interviewed by Senate investigators on July 28, 1992, and denied under oath any connection with the alleged negotiations. He told the investigators he did not have a valid passport during the October 1980 dates.

But according to court documents and interviews, Brian told Canadian investors in his newly acquired Clinical Sciences, Inc., that he would be in Paris that weekend. Brian acquired controlling interest in Clinical Sciences in the summer of 1980. Clinical Sciences was then trading at around \$2 a share. Brian worked with Janos P. Pasztor, a vice president and special situations analyst with the Canadian investment bank of Nesbitt, Thomson, Bongard Inc., to create a market of Canadian

investors for the stock.

Pasztor later testified in court documents that Brian said he would be in Paris the weekend of October 17 to do a deal with the Pasteur Institute (a medical research firm).

Two other brokers, Harry Scully, a broker based in Halifax, Nova Scotia, and John Belton, a senior account executive with Nesbitt-Thomson from 1968 to 1982 who is suing Nesbitt-Thomson and Pasztor for securities fraud, also claim that they were told that Brian was in Paris that weekend.

But if Brian went to Paris to see the Pasteur Institute, he seems to have missed his appointment. An investigation by the Royal Canadian Mounted Police into Clinical Sciences stock transactions revealed that the Pasteur Institute had never conducted business with, or even heard of Brian.

When asked by *Wired* to elaborate on Brian's 1980 trip, Pasztor said. "These are political questions and I don't want to become involved." He refused further comment.

Brian contends that the dates of his trip were in error and that he went to Paris in April 1981, not October 1980. But the passport he turned over to Senate investigators did not contain a French entry or exit stamp for April 1981. Through his lawyers, Brian refused to be interviewed for this story.

— RLF

Earl W. Brian: Closet Spook?

Michael Riconosciuto, a computer programmer and chemist who surfs the spooky fringe of the guns-'n'-money crowd, is currently serving a federal prison sentence for drug crimes. From his jail cell he has given several interviews claiming knowledge of Inslaw and the October Surprise (he also claims his jail term is the DOJ's way of punishing him for his knowledge). Much of what he claims cannot be verified, other statements have failed to be verified conclusively.

But prior to his arrest in 1991, Riconosciuto provided the Hamiltons with an affidavit that once again brought Brian into the Inslaw picture. "I engaged in some software development and modification work in 1983 and 1984 on proprietary PROMIS computer software product," he stated. "The copy of PROMIS on which I worked came from the US Department of Justice. Earl W. Brian made it available to me through Wackenhut (a security company with close FBI and CIA connections) after acquiring it from Peter Videnieks, who was then a Department of Justice contracting official with the responsibility for PROMIS software. I performed the modifications to PROMIS in Indio, Calif.; Silver Springs, Md.; and Miami, Fla."

The modifications included a telecommunications "trap door" that would let the US Government eavesdrop on any other organization using the pirated software, Riconosciuto said.

Videnieks and Brian both told House investigators that they did not know Riconosciuto. After Riconosciuto was interviewed by House investigators, Videnieks refused to give Congress further interviews.

Although Brian denies any involvement with Inslaw or Riconosciuto, the House Judiciary Committee received a report from a special task force of the Riverside County, Calif., Sheriff's Office and

District Attorney, stating that on the evening of Sept. 10, 1981, arms dealers, buyers and various intelligence operatives gathered at the Cabazon Indian Reservation near Indio, Calif., for a demonstration of night warfare weapons. The demonstration was orchestrated jointly by Wackenhut and the Cabazon Indian tribe. (Many published reports allege that the Wackenhut/Cabazon joint venture served as a weapons fencing operation for Oliver North's Iran-Contra dealings.)

According to Indio city police officers hired to provide security, those attending included Earl W. Brian, who was identified as "being with the CIA," and Michael Riconosciuto. — RLF

US Deputy Attorney General Jensen Lost Once To Inslaw. Could It Be He Wanted to Even The Score?

At the time of its inception, PROMIS was the most powerful program of its type. But a similar program, DALITE, was developed under another LEAA grant by D. Lowell Jensen, the Alameda County, Calif., District Attorney. In the mid-1970s, the two programs vied for a lucrative Los Angeles County contract and Inslaw won out.

Early in his career, Attorney General-to-be Edwin Meese worked under Jensen at the Alameda County District Attorney's office. Jensen was later appointed as Deputy Attorney General into Meese's Justice Department.

C. Madison "Brick" Brewer, accused by the House Judiciary Committee of deliberately misappropriating PROMIS, testified in federal court that everything he did regarding Inslaw was approved by D. Lowell Jensen, the same man who once supervised DALITE.

operations, agents and targets, instead of legal cases.

At the time of its inception, PROMIS was the most powerful program of its type. But a similar program, DALITE, was developed under another LEAA grant by D. Lowell Jensen, the Alameda County (Calif.) District Attorney. In the mid-1970s, the two programs vied for a lucrative Los Angeles County contract and Inslaw won out. (Early in his career, Ed Meese worked under Jensen at the Alameda County District Attorney's office. Jensen was later appointed to Meese's Justice Department during the Reagan presidency.)

In the final days of the Carter administration, the LEAA was phased out. Inslaw had made a name for itself and Hamilton wanted to stay in business, so he converted Inslaw to a for-profit, private business. The new Inslaw did not own the public domain version of PROMIS because it had been developed with LEAA funds. But because it had funded a major upgrade with its own money, Inslaw did claim ownership of the enhanced PROMIS.

Through his lawyers, Hamilton sent the Department of Justice a letter outlining his company's decision to go private with the enhanced PROMIS. The letter specifically asked the DOJ to waive any proprietary rights it might claim to the enhanced version. In a reply dated August 11, 1982, a DOJ lawyer wrote: "To the extent that any other enhancements (beyond the public domain PROMIS) were privately funded by Inslaw and not specified to be delivered to the Department of Justice under any contract or other agreement, Inslaw may assert whatever proprietary rights it may have."

Arnold Burns, then a deputy attorney general, clarified the DOJ's position in a now-critical 1988 deposition: "Our lawyers were satisfied that Inslaw's lawyers could sustain the claim in court, that we had waived those [proprietary] rights."

The enhancements Inslaw claimed were significant. In the 1970s the public-domain PROMIS was adapted to run on Burroughs, Prime, Wang and IBM machines, all of which used less-powerful 16-bit architectures. With private funds, Inslaw converted that version of PROMIS to a 32-bit architecture running on a DEC VAX minicomputer. It was this version that Etian saw in 1983. It was this version that the DOJ stole later that year through a pre-meditated plan, according to two court decisions.

The Dispute Grows

On a gorgeous spring morning in 1981, Lawrence McWhorter, director of the Executive Office for US Attorneys, put his feet on his desk. Lit an Italian cigar, eyed his subordinate Frank Mallgrave and said through a haze of blue smoke: "We're out to get Inslaw."

McWhorter had just asked Mallgrave to oversee the pilot installation of PROMIS, a job Mallgrave refused, unaware at the time that he was being asked to participate in Inslaw's deliberate destruction.

"We were just in his office for what I call a B.S. type discussion," Mallgrave told *Wired*. "I remember it was a bright sunny morning.... (McWhorter) asked me if I would be interested in assuming the position of Assistant Director for Data Processing...basically working with Inslaw. I told him...I just had no interest in that job. And then, almost as an afterthought, he said 'We're out to get Inslaw.' I remember it to this day."

After Mallgrave refused the job, McWhorter gave it to C. Madison "Brick" Brewer. Brewer at one time worked for Inslaw, but was "fired" to resign when Hamilton found his performance inadequate, according to court documents. Brewer was then hired into the Department of Justice specifically to oversee the contract of his former employer. (The DOJ's Office of Professional Responsibility ruled there was no conflict of interest.) He would later tell a federal court that everything he did regarding Inslaw was approved by Deputy Attorney General Lowell Jensen, the same man who once supervised DALITE, the product which lost a major contract to Inslaw in the 1970s.

Brewer, who now refuses to comment on the Inslaw case, was aided in his new DOJ job by Peter Videnieks. Videnieks was fresh from the Customs Service, where he oversaw contracts between that agency and Hadron, Inc., a company controlled by Meese and Reagan-crony Earl Brian. Hadron, a closely held government systems consulting firm, was to figure prominently in the forthcoming scandal. [continued on page 101]

Sideshows:



WAS ISRAEL'S PROMIS TO CRUSH THE INTIFADA?

Asked why Israeli intelligence would have been so interested in Inslaw and PROMIS, ex-Israeli spy Ari Ben Menashe said: "PROMIS was a very big thing for us guys, a very, very big thing ... it was probably the most important issue of the '80s because it just changed the whole intelligence outlook. The whole form of intelligence collection changed. This whole thing changed it." Why? PROMIS, Ben Menashe said, was perfect for tracking the Palestinian population and other political dissidents.



DID OLIVER NORTH USE PROMIS?

Apparently, Israel was not the only country interested in using PROMIS for internal security purposes. Lt. Col. Oliver North also may have been using the program. According to several intelligence community sources, PROMIS was in use at a 6,100-square-foot command center built on the sixth floor of the Justice Department. According to both a contractor who helped design the center and information disclosed during the Iran-Contra hearings, Oliver North had a similar, but smaller, White House operations room that was connected by computer link to the DOJ's command center.

Who Fired Inslaw's Lawyer?

As the Inslaw-DOJ battle was joined in bankruptcy court, Inslaw's chief attorney, Leigh Ratiner, was fired from Dickstein, Shapiro & Morin, the firm where he had been a partner for 10 years. His firing came after another Dickstein partner, Leonard Garment, met with Arnold Burns, then-deputy attorney general of the DOJ.

Garment was counsel to President Richard Nixon and assistant to President Gerald Ford. He testified before a Senate inquiry that he and Meese discussed the Inslaw case in October 1986, and afterward he met with Burns. Two days later Ratiner was fired.

The terms of the financial settlement between Ratiner and his firm were kept confidential, but *Wired* has been told by ex-Israeli spy Ari Ben Menashe that Israeli intelligence paid to have Ratiner fired, and that the money was transferred through Hadron Inc., the same company that Earl Brian used to distribute illegal copies of PROMIS. Through informed sources, *Wired* has independently confirmed portions of Ben Menashe's allegations.

Ben Menashe has told *Wired* that he saw a memo in Israel, written in Hebrew, requesting funds for "a lawyer." He claims to have seen the memo at the office of a joint Mossad (Israeli CIA), Internal Defense Forces and Military committee specializing in Israeli-Iran relations. Israel admits that Ben Menashe handled communications at this level and therefore would have had access to such transmissions.

Ben Menashe said the money was used as Ratiner's settlement payment. "The money was transferred, \$600,000, to Hadron," he said. As to why Hadron was used, Ben Menashe claims: "Because [Brian] was involved quite deeply." He said Ratiner was unaware of the source of the settlement funds.

Ratiner, contacted after the Ben Menashe interview, said he had never disclosed the amount of the separation settlement to anyone. He is limited contractually by his former firm from discussing any specifics of the firing. Asked if Ben Menashe's figures were correct, Ratiner said, "I can't comment because it would be the same as revealing them." *Wired* located a deep background source who confirmed that the amount was "correct almost to the penny."

Ratiner said he was shocked at the allegations of money laundering. "Dickstein, Shapiro is the 10th largest firm in Washington and I had no reason to think it was other than reputable," he said. "Why is it that everyone who comes in contact with the Inslaw case becomes a victim?"

— RLF



A Dead Journalist Raises Some Eyebrows

Among the many strong conclusions of the "House Judiciary Committee Report on the Inslaw Affair" was this rather startling and brief recommendation: "Investigate Mr. Casolaro's death."

Freelance reporter Danny Casolaro spent the last few years of his life investigating a pattern which he called "The Octopus." According to Casolaro, Inslaw was only part of a greater story of how intelligence agencies, the Department of Justice and even the mob had subverted the government and its various functions for their own profit.

Casolaro had hoped to write a book based on his reporting. His theories, which some seasoned investigative journalists have described as naive, led him into a Bermuda Triangle of spooks, guns, drugs and organized crime. On August 10th, 1991, he was found dead in a Martinsburg, W. Va., hotel room. Both wrists were deeply slashed.

Casolaro's death has only deepened the mystery surrounding Inslaw. Among the more unusual aspects of his death: He had gone to Martinsburg to meet an informant whose name he never revealed. He had called home the afternoon before his death to say he would be late for a family gathering. Martinsburg police allowed his body to be embalmed before family members were notified and warned hotel employees not to

speak to reporters. The hotel room was immediately scrubbed by a cleaning service. Casolaro had told several friends and his brother that if anything ever happened to him, not to believe it was an accident. And his notes, which witnesses saw him carry into the hotel, were missing.

His death was ruled a suicide by Martinsburg and West Virginia authorities several months later. Friends, relatives and some investigators still cry foul.

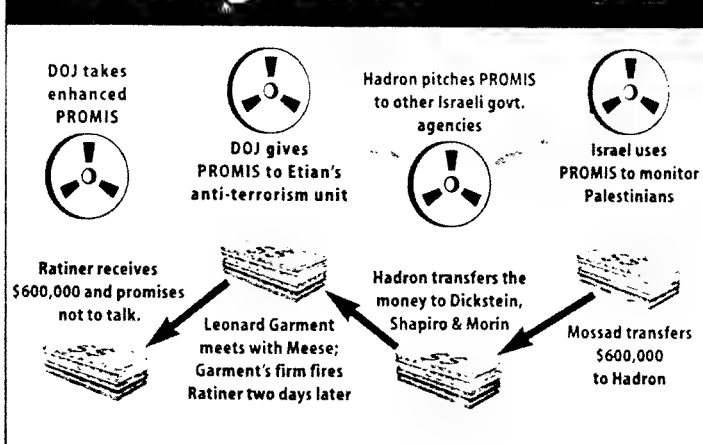
A source close to retired Federal Judge Nicholas Bua (the Bush Administration appointee who is investigating Inslaw) said Bua will not come to any conclusions regarding Casolaro's fate. "I don't know if he committed suicide or if it was murder," the source said. "But the evidence is consistent with both theories. There are things that bother me but ... certainly no one can be indicted on the evidence that is available."

What does that mean? Either an independent investigation drums up more evidence, or the case may never be solved.

The House Judiciary Committee may have written what could be called the final word on Danny Casolaro's inexplicable death: "As long as the possibility exists that Danny Casolaro died as a result of his investigation into the Inslaw matter, it is imperative that further investigation be conducted."

— RLF

The Allegations:



[continued from page 80] According to congressional and court documents, Brewer and Videnieks didn't tarry in their efforts to destroy Inslaw. After Inslaw's installation of public domain PROMIS had begun, the DOJ claimed that Inslaw, which was supporting the installation with its own computers running the enhanced version of PROMIS, was on the brink of bankruptcy. Although Inslaw was contracted to provide only the public domain PROMIS, the DOJ demanded that Inslaw turn over the enhanced version of PROMIS in case the company could not complete its contractual obligations. Inslaw agreed to this contract modification, but on two conditions: that the DOJ recognize Inslaw's proprietary rights to enhanced PROMIS, and that the DOJ not distribute enhanced PROMIS beyond the boundaries of the contract (the 94 US Attorney's offices.)

The DOJ agreed to these conditions, but requested Inslaw prove it had indeed created enhanced PROMIS with private funds. Inslaw said it would, and the enhanced software was given to the DOJ.

Once the DOJ had control of PROMIS, it dogmatically refused to verify that Inslaw had created the enhancements, essentially rendering the contract modification useless. When Inslaw protested, the DOJ began to withhold payments. Two years later, Inslaw was forced into bankruptcy.

As the contract problems with DOJ emerged, Hamilton received a phone call from Dominic Laiti, chief executive of Hadron. Laiti wanted to buy Inslaw. Hamilton refused to sell. According to Hamilton's statements in court documents, Laiti then warned him that Hadron had friends in the government and if Inslaw didn't sell willingly, it would be forced to sell.

Those government connections included Peter Videnieks over at the Justice Department, according to John Schoolmeester, Videnieks' former Customs Service supervisor. Laiti and Videnieks both deny ever meeting or having any contact, but Schoolmeester has told both *Wired* and the House Judiciary Committee it was "impossible" for the pair not to know each other because of the type of work and oversight involved in Hadron's relationship with the Customs Service. Schoolmeester also said that because of Brian's relationship with then-President Reagan (see sidebar), Hadron was considered an "inside" company.

The full-court press continued. In 1985 Allen & Co., a New York investment banking concern with close business ties to Earl Brian, helped finance a second company, SCT, which also attempted to purchase Inslaw. That attempt also failed, but in the process a number of Inslaw's customers were warned by SCT that Inslaw would soon go bankrupt and would not survive reorganization. Hamilton said in court documents.

Broke and with no friends in the government, on June 9, 1986, Inslaw filed a \$50 million lawsuit against the DOJ in bankruptcy court. Inslaw's attorney for the case (he was later fired from his firm under extremely suspicious circumstances — see sidebar) was Leigh Ratiner of the Washington firm Dickstein, Shapiro & Morin. Ratiner chose bankruptcy court for the filing based on the premise that Justice, the creditor, had control of PROMIS. He explained recently, "It was forbidden by the Bankruptcy Act for the creditor to exercise control over the debtor property. And that theory — that the Justice Department was exercising control — was the basis that the bankruptcy court had jurisdiction.

"As far as I know, this was the first time this theory had been used," Ratiner told *Wired*. "This was ground-breaking. It was, in fact, a legitimate use of the code."

It worked, but to only a point. In 1987, Washington, D.C., bankruptcy judge George Bason ruled in a scathing opinion that Justice had stolen PROMIS through "trickery, fraud and deceit." He awarded Inslaw \$6.5 million in damages and, in the process, found that Justice Department officials made a concerted effort to bankrupt Inslaw and place the company's enhanced PROMIS up for public auction (where it would then be fodder for Brian's Hadron). Bason's findings of fact relied on testimony from Justice employees and internal memoranda, some of which outlined a plan to "get" PROMIS software.

Bason cited the testimony of a number of the government's defense witnesses as being "unbelievable" and openly questioned the credibility of others. In his 216-page ruling, Bason cites numerous instances where testimony from government witnesses is contradictory. (In a private interview with *Wired* he noted that as a bankruptcy judge he was precluded from bringing perjury charges against government employees, but he had recom-

Inslaw

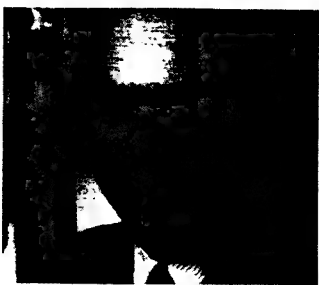


InslawGate?

Elliot Richardson, President Nixon's former attorney general (he was fired when he refused to fire Archibald Cox during the Watergate scandal) has been a counsel to Inslaw for nearly 10 years (he retired this January). In a Oct. 21, 1991 *New York Times* Op Ed, Richardson wrote: "This is not the first time I have had to think about the need for an independent investigator. I had been a member of the Nixon Administration from the beginning when I was nominated as Attorney General in 1973. Confidence in the integrity of the Watergate investigation could best be insured, I thought, by entrusting it to someone who had no prior connection to the White House. With Inslaw, the charges against the Justice Department make the same course even more imperative.

"When the Watergate special prosecutor began his inquiry, indications of the President's complicity were not as strong as those that now point to a broad conspiracy implicating lesser Government officials in the theft of Inslaw's technology."

Inslaw



A Well-Covered Coverup?

The House Committee Report contained some no-holds-barred language on the issue of stonewalling:

"One of the principle reasons the committee could not reach any definitive conclusion about Inslaw's allegations of a high criminal conspiracy at Justice was the lack of cooperation from the Department," the report states. "Throughout the two Inslaw investigations, the Congress met with restrictions, delays and outright denials to requests for information and to unobstructed access to records and witnesses.

"During this committee's investigation, Attorney General Thornburgh repeatedly reneged on agreements made with this committee to provide full and open access to information and witnesses ... the Department failed to provide all the documents subpoenaed, claiming that some of the documents ... had been misplaced or accidentally destroyed."

mended to various congressional panels that an inquiry was necessary.)

When the DOJ appealed, a federal district court affirmed Bason, ruling that there was "convincing, perhaps compelling support for the findings set forth by the bankruptcy court." But the D.C. Circuit Court of Appeals reversed the case on a legal technicality, finding that the bankruptcy court had no jurisdiction to hear the damages claim. A petition to the Supreme Court in October 1991 was denied review.

The IRS got into the act as well. Inslaw was audited several times in the course of their battles with the Department of Justice. In fact, the day following the bankruptcy trial, S. Martin Teel, a lawyer for the IRS, requested that Judge Bason liquidate Inslaw. Bason ruled against Teel. As a coda to the lawsuit, Bason, a respected jurist, was not re-appointed to the bench when his term expired. His replacement? S. Martin Teel. (Bason has testified before Congress that the DOJ orchestrated his replacement as punishment for his rulings in the Inslaw case.)

But Inslaw's troubles did not end with bankruptcy. Frustrated by Attorney General Dick Thornburgh's stubborn refusal to investigate the DOJ or appoint an independent prosecutor, Elliot Richardson, President Nixon's former attorney general and a counsel to Inslaw for nearly 10 years (he retired this January), filed a case in U.S. District Court demanding that Thornburgh investigate the Inslaw affair. In 1990, the court ruled that a prosecutor's decision not to investigate — "no matter how indefensible" — cannot be corrected by any court. Another loss for Inslaw.

Broke and still attempting to revive itself, Inslaw has not refiled its suit, preferring to wait for a new administration and a new DOJ.

By this time, the spinning jennies of the conspiracy network had grasped the Inslaw story and were all-too-eager to put their stitch in the unraveling yarn. According to documents and affidavits filed during court cases and congressional inquiries, the Hamiltons and their lawyers began receiving phone calls, visits and memos from a string of shadowy sources, many of them connected to international drug, spy and arms networks. Their allegations: That Earl Brian helped orchestrate the October Surprise for then-candidate Reagan, and that Brian's eventual payment for that orchestration was a cut of the PROMIS action. Brian and the DOJ then resold or gave PROMIS to as many as 80 foreign and domestic agencies. (Brian adamantly denies any connection to Inslaw or the October Surprise.)

These sources, which include ex-Israeli spy Ari Ben Menashe and a computer programmer of dubious reputation, Michael Riconosciuto, allege that PROMIS had been further modified by the DOJ so that any agency using it could be subject to undetected DOJ eavesdropping — a sort of software Trojan Horse. If these allegations are true, by the late 1980s PROMIS could have become the digital ears of the U.S. Government's spy effort — both internal and external. Certainly something the administration wouldn't want nosy congressional committees looking into.

The diaphanous web of more than 50 sources who offered information to Inslaw were not "what a lawyer might consider ideal witnesses," Richardson admitted. But their stories yielded a surprising consistency. "The picture that emerges from the individual statements is remarkably detailed and consistent," he wrote in an Oct. 21, 1991 *New York Times* Op Ed.

The Congressional Investigation

The string of lawsuits and widening allegations caught the eye of House Judiciary Committee Chairman Jack Brooks, D-Texas, who in 1989 launched a three-year investigation into the Inslaw affair. In the resulting report, the Committee suggested that among others, Edwin Meese, while presidential counselor and later as attorney general, and D. Lowell Jensen, a former assistant and deputy attorney general and now a U.S. district judge in San Francisco, conspired to steal PROMIS.

"High government officials were involved," the report states, "... (S)everal individuals testified under oath that Inslaw's PROMIS software was stolen and distributed internationally in order to provide financial gain and to further intelligence and foreign policy objectives."

"Actions against Inslaw were implemented through the Project Manager (Brick Brewer) from the beginning of the contract and under the direction of high-level Justice Department officials," the report says. "The evidence...demonstrates that high-level Department officials deliberately ignored Inslaw proprietary rights and misappropriated its PROMIS software



Rep. Jack Brooks and the House Committee On the Inslaw Case

The string of lawsuits and widening allegations caught the eye of House Judiciary Committee Chairman Jack Brooks, D-Texas, who in 1989 launched a three-year investigation into the Inslaw affair. In the resulting report, the Committee suggested that among others, Edwin Meese, while presidential counselor and later as attorney general, and D. Lowell Jensen, a former assistant and deputy attorney general and now a U.S. district judge in San Francisco, conspired to steal PROMIS.

"There appears to be strong evidence," the report states, "as indicated by the findings in two Federal Court proceedings as well as by the committee investigation, that the Department of Justice 'acted willfully and fraudulently,' and 'took, converted and stole,' Inslaw's Enhanced PROMIS by 'trickery fraud and deceit.'"

"While refusing to engage in good faith negotiations with Inslaw," the report continues, "Mr. Brewer and Mr. Videnieks, with the approval of high-level Justice Department officials, proceeded to take actions to misappropriate the Enhanced PROMIS software."

Furthermore, the report states, "several individuals have stated under oath that the Enhanced PROMIS software was stolen and distributed internationally in order to provide financial gain to Dr. Brian and to further intelligence and foreign policy objectives for the United States."

Rep. Brooks told *Wired* that the report should be the starting point for a grand jury investigation. The owners of Inslaw, Brooks said, were "ravaged by the Justice Department ... treated like dogs."

for use at locations not covered under contract with the company."

The Committee report accuses former Attorney General Dick Thornburgh of stonewalling congressional inquiries, turning a blind eye to the possible destruction of evidence within the Justice Department, and ignoring the DOJ's harassment of employees questioned by Congressional investigators.

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Brooks' committee voted along party lines, 21-13, to adopt the investigative report on Aug. 11, 1992. The report asked then-Attorney General William Barr to "immediately settle Inslaw's claims in a fair and equitable manner" and "strongly recommends that the Department seek the appointment of an Independent Counsel."

As he did with the burgeoning Iraqgate scandal and as his predecessor did before him, Barr refused to appoint an independent counsel to the Inslaw case, relying instead on a retired federal judge, in this case Nicholas Bua, who reported to Barr alone. In other words, the DOJ was responsible for investigating itself.

"The way in which the Department of Justice has treated this case, to me, is inexplicable," Richardson told *Wired*. "I think the circumstances most strongly suggest that there must be wider ramifications."

The Threads Unravel

Proof of those wider ramifications are just starting to leak out, as DOJ and other agency employees begin to talk, although for the most part they spoke to *Wired* only on condition of anonymity.

On Nov. 20, 1990, the Judiciary Committee wrote a letter asking CIA director William Webster to help the committee "by determining whether the CIA has the PROMIS software."

The official reply on December 11th: "We have checked with Agency components that track data processing procurement or that would be likely users of PROMIS, and we have been unable to find any indication that the Agency ever obtained PROMIS software."

But a retired CIA official whose job it was to investigate the Inslaw allegations internally told *Wired* that the DOJ gave PROMIS to the CIA. "Well," the retired official told *Wired*, "the congressional committees were after us to look into allegations that somehow the agency had been culpable of what would have been, in essence, taking advantage of, like stealing, the technology [PROMIS]. We looked into it and there was enough to it, the agency had been involved."

How was the CIA involved? According to the same source, who requested anonymity, the agency accepted stolen goods, not aware that a major scandal was brewing. In other words, the DOJ robbed the bank, and the CIA took a share of the plunder.

But the CIA was not the only place where illegal versions of PROMIS cropped up. Canadian documents (held by the House Judiciary Committee and obtained by *Wired*) place PROMIS in the hands of various Canadian government agencies. These documents include two letters to Inslaw from Canadian agencies requesting detailed user manuals - even though Inslaw has never sold PROMIS to Canada. Canadian officials now claim the letters were in error.

And, of course, the software was transferred to Rafael Etian's anti-terrorism unit in Israel. The DOJ claims it was the LEAA version, but former Israeli spy Ben Menashe and others claim it was the 32-bit version. According to Ben Menashe, other government departments within Israel also saw PROMIS, and this time the pitchman was Dr. Earl Brian. In a 1991 affidavit related to the bankruptcy proceedings, Ben Menashe claimed: "I attended a meeting at my Department's headquarters in Tel Aviv in 1987 during which Dr. Earl W. Brian of the United States made a presentation intended to facilitate the use of the PROMIS computer software."

"Dr. Brian stated during his presentation that all U.S. Intelligence Agencies, including the Defense Intelligence Agency, the Central Intelligence Agency, and the National Security Agency and the U.S. Department of Justice were then using the PROMIS computer software," Ben Menashe continued. While the credibility of his state-

ments has been questioned, the Israeli government has admitted that Ben Menashe had access to extremely sensitive information during his tenure at the Mossad.

Asked why Israeli intelligence would have been so interested in Inslaw and PROMIS, Ben Menashe said, "PROMIS was a very big thing for us guys, a very, very big thing ... it was probably the most important issue of the '80s because it just changed the whole intelligence outlook. The whole form of intelligence collection changed. This whole thing changed it." PROMIS, Ben Menashe said, was perfect for tracking Palestinians and other political dissidents.

(Ben Menashe's superior during this period was Rafael Etian, or Dr. Ben Orr, as he was known during his 1983 visit to Inslaw.)

Apparently, Israel was not the only country interested in using PROMIS for internal security purposes. Lt. Col. Oliver North also may have been using the program. According to several intelligence community sources, PROMIS was in use at a 6,100-square-foot command center built on the sixth floor of the Justice Department. According to both a contractor who helped design the center and information disclosed during the Iran-Contra hearings, Oliver North had a similar, but smaller, White House operations room that was connected by computer link to the DOJ's command center.

Using the computers in his command center, North tracked dissidents and potential troublemakers within the United States as part of a domestic emergency preparedness program, commissioned under Reagan's Federal Emergency Management Agency (FEMA), according to sources and published reports. Using PROMIS, sources point out, North could have drawn up lists of anyone ever arrested for a political protest, for example, or anyone who had ever refused to pay their taxes. Compared to PROMIS, Richard Nixon's enemies list or Sen. Joe McCarthy's blacklist look downright crude. This operation was so sensitive that when Rep. Jack Brooks asked North about it during the Iran-Contra hearings, the hearing was immediately suspended pending an executive (secret) conference. When the hearings were reconvened, the issue of North's FEMA dealings was dropped.

A Thorough Cleaning at the White House?

If the case against the Department of Justice is so solid, why hasn't anything been done? The answer is timing. The next move belongs to retired Federal Judge Bua, since he was given oversight by Attorney General Barr in lieu of an independent counsel. And everyone, including Judge Bua, whose non-binding report was pending at *Wired's* early December deadline, seems to be waiting for the new administration. Both the Clinton/Gore transition team and House majority leader Richard Gephardt had no comment on the Inslaw case pending Clinton's inauguration.

But a source close to Bua's investigation said the retired judge may present the DOJ with a bombshell. While not required to suggest a settlement, the source believes Bua will reportedly recommend that Inslaw be given between \$25 million and \$50 million for its mistreatment by the DOJ. (In last-minute negotiations, Inslaw attorney Elliot Richardson held brief meetings with DOJ officials in mid-December. Richardson pressed for a settlement ranging from \$25 million to \$500 million, but the DOJ balked, according to newspaper reports.)

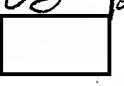
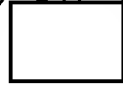
But the question remains: Can the DOJ paper over the willful destruction of a company, the plundering of its software, the illegal resale of that software to further foreign policy objectives, and the overt obstruction of justice with \$25 million?

Bua's final recommendation, expected sometime before Clinton's inauguration, is that the Inslaw Affair "requires further investigation," the source said. That conclusion mirrors the House Judiciary Committee's report. Privately, many Democrats, including Gephardt, have expressed a strong desire to get to the bottom of the Inslaw case. Rep. Brooks will be pushing for yet another investigation of the scandal, this time independent of the Justice Department, according to Congressional sources. Once Bua's report is out, the next and possibly final move will be up to a new president, a new Congress, and, possibly, a renewed sense of justice. ■ ■ ■

To: [redacted]
From: [redacted]
1-18-93
For your reading
pleasure

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29B-LA-115702-152



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Washington BUSINESS JOURNAL

WEEK OF JANUARY 22-28, 1993

Zoe E. Baird calls Inslaw a top priority

*Settlement is discussed;
D.C. firm may reap millions*

By KRISTINE LOOSLEY

Unraveling the mystery of an alleged conspiracy to steal hundreds of millions of dollars worth of computer software from Washington-based Inslaw Inc. will be a top priority of the new Clinton administration, Attorney General-designate Zoe E. Baird said this week.

A settlement could reward Inslaw for years of turmoil — including a trip through a Chapter 11 reorganization — and could cost the government as much as \$1 billion.

A strong bipartisan show of support for settlement of the 10-year-old Inslaw case was given by members of the Senate Judiciary Panel, which spent nearly six hours questioning Baird on several issues during the first part of her confirmation period.

And sources say a retired federal judge doing an investigation into the Inslaw affair will recommend settling the case as well.

During Baird's confirmation hearing,

See SETTLEMENT, page 22

Settlement in Inslaw affair could reward software firm with millions

continued from page 1

a surprise statement of support by the committee's ranking Republican shocked and delighted Inslaw owners Bill and Nancy Hamilton, who said they never dreamed the minority party would show support for their claims.

"We couldn't believe he was supporting us," Bill Hamilton said.

The House Judiciary Committee and two federal judges have ruled that the Justice Department stole Inslaw's software, but no damages have ever been collected by the Washington-based company. Baird pledged to clean up the Justice Department, and pointed to Inslaw as one case where public confidence must be bolstered by having an independent and public airing of the alleged conspiracy involved in the theft.

Though little hard evidence has yet been produced, the conspiracy theory holds that Justice officials stole the software and had it installed in the computer systems of foreign governments in a high-tech, Trojan horse scenario. Once installed, the theory goes, the CIA could tap into the computer system and learn all the foreign intelligence agencies' secrets.

Testifying before the Senate panel, Baird said investigating and settling the Inslaw affair will be "high on my priority list of work that needs to be done in the Justice Department."

Baird's comments came in the midst of a lengthy, highly charged confirmation hearing. Ninety percent of the questioning focused on Baird's admission

During questioning, Baird discussed scandals that have touched the Justice Department and said she wants to restore the public confidence in the system of laws.

that she and her law professor husband had hired a pair of illegal aliens as domestic workers.

During questioning, though, she discussed scandals that have touched the Justice Department — like Inslaw and the BNL debacle — and said she wants to restore the public confidence in the system of laws. Inslaw, she said, is a prime case to make a point. She came out squarely in favor of reenactment of the independent counsel statute which allows appointment of a special prosecutor in cases like this, and said she'll try to depoliticize the office by requiring all

communications from the White House to go through her.

"This matter has to be looked into," agreed Sen. Paul Simon, D-Ill. "We should have paid these people. . . It needs to be resolved as quickly as possible."

Simon's position was bolstered unexpectedly by Sen. Orrin Hatch, R-Utah, a conservative and outspoken supporter of both the Reagan and Bush administrations.

Should Baird be confirmed by the Senate, she'll become head of the 91,000-employee Justice Department, including a stable of U.S. Attorneys who use PROMIS software to manage their caseloads. The Hamiltons installed the software on computers within the department in the early 1980s, but have never been paid for it.

Both Hatch and Simon urged Baird to pay close attention to the recommendations of the Democratic majority on the House Judiciary Committee and to a report due to be issued soon by a retired federal judge who has been looking into the case for a year at the request of Republican Attorney General William Barr.

The committee issued a scathing report after a lengthy investigation last year. The report implicates high-ranking Republicans in the Executive Branch in a conspiracy to steal Inslaw's software and sell or give or sell it to allies.

The House report calls for the appointment of an independent counsel to investigate the allegations, but Barr refused. Barr, instead, appointed Judge Nicholas Bua to do an investigation on his behalf. Barr will never get a chance to see the report as attorney general because he recused himself from the case after announcing he will join the Washington law firm of Shaw, Pittman, Potts & Trowbridge. That firm represents one of the people implicated in the House Judiciary Committee report.

Hatch forcefully argued against the approach of having a Justice appointee investigate the department. The integrity of the department is compromised when it refuses to allow itself to be investigated by an independent person or body, Hatch said.

"Sometimes we find the Justice Department will not investigate things it should have," Hatch said. He also accused Justice of dragging out cases like Inslaw to the point that those with claims drop out of the pursuit of justice because the costs of litigation get so high.

Bill Hamilton said Hatch's words impressed him, and were especially gratifying because they focused both on compensation for Inslaw Inc. and the importance of restoring public confidence in the Justice Department.

The Hamiltons won't settle for cash compensation at this point, he said, because they are convinced the circumstances surrounding the use of their software need investigation.

The pair has not pegged an exact cost for what they've lost, but said rumors of the widespread illegal use of their products leads them to believe the figure is much more than \$100 million, and could actually reach into the billions.

In addition to the U.S. Attorneys Office use of the software, the Hamiltons believe it is also now used by Canada, Israel, Egypt, Iraq and other countries, as well as other agencies of the U.S. government like the CIA and National Security Agency.

"But the money is not why we're in this," Nancy Hamilton said. "I know that sounds weird. But if this is true, the government should be held accountable. That's what we're after."

Baird's confirmation hearing was scheduled to continue Thursday, with a committee vote coming late Thursday or early Friday.

Washington BUSINESS JOURNAL

WEEK OF JANUARY 22-28, 1993

The Resurrection of Earl Brian's Infotechnology

ALEXANDRIA—Infotechnology Inc., the company embroiled in the Inslaw affair and that virtually imploded in 1991, is being born again — moving its headquarters from New York to Alexandria as an

Around the Beltway operating concern in the next few months. C.W. Gilluly, Infotech's new chairman, and two other

investors purchased a million shares from Merrill Lynch Group on Dec. 24 for 1 cent each, according to Securities and Exchange Commission records. Gilluly, chief executive of Telecommunications Industries Inc., an Infotech subsidiary, plans to operate the company after it clears bankruptcy court.

Infotech was the product of Earl

See BELTWAY, page 14

continued from page 1

Brian — a Reagan administration confidant — who has been accused of using pirated software developed by Inslaw Inc. Some have alleged that Brian was involved in a bigger scheme to sell Inslaw's software to foreign governments. Brian has denied the charges.

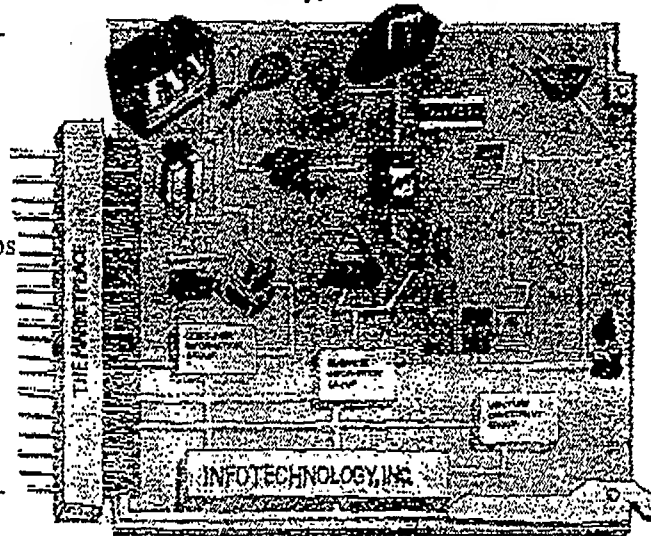
The case has since been probed by Congress and a special investigator, and pops up periodically.

But Infotech also controlled an array of computer and media companies, including Financial News Network and United Press International — many of which were losing money — and were related through a confusing web of interlocking relationships.

Since it was classified as a business development company, Infotech never filed a traditional profit-and-loss financial statement, leaving investors in the

dark about how profitable it was. But when mounting debt forced Infotech into bankruptcy, most of the subsidiaries were sold off to pay creditors.

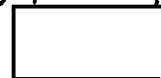
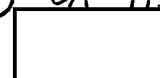
Currently, Infotech has a small rev-



enue stream from some investments and a stockholders' deficit of about \$6 million. Why the troubled company is being revived is anyone's guess. Gilluly could not be reached for comment.

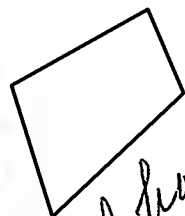
—Doug Abrahms

29B-LA-115702-153

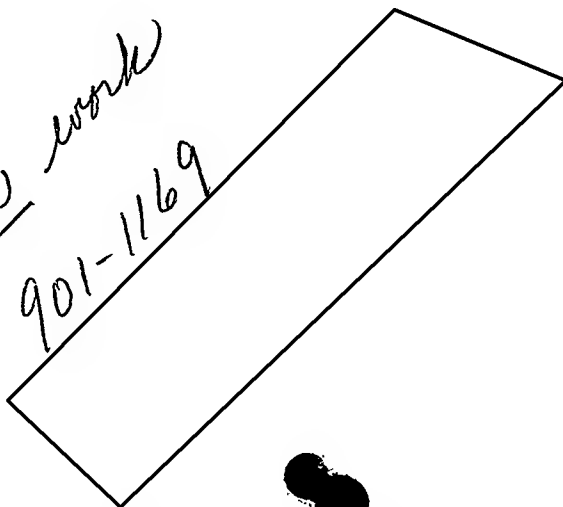


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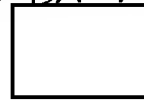


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a new work
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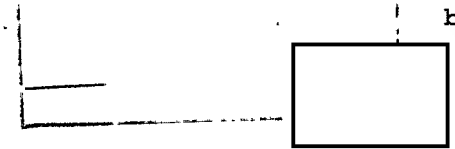
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Washington BUSINESS JOURNAL

WEEK OF JANUARY 15-21, 1993

Barring All Connections

NORTHWEST—It seems innocuous: Attorney General William S. Barr will rejoin Washington law firm Shaw Pittman Potts & Trowbridge as the Democrats come to town.

But consider this: Shaw Pittman represents one of the alleged key

conspirators in what's now known as The Inslaw Affair. Barr is the person who squelched the congressional call for a special prosecutor to look into the conspiracy theory. He's the one who, instead, hired a retired judge to investigate and report

Around
the
Beltway

See BELTWAY, page 16

continued from page 1

back to the attorney general.

Barr has formally recused himself from the case, and all others involving Shaw, Pittman clients. So who does the report — due out this week — get sent to? Judge Nicholas Bua and his staff are scratching their heads, trying to figure it out, according to one investigator.

Here's a little history:

A 1992 House Judiciary Committee Report recites allegations that Dr. Earl Brian "conspired with high-level Justice officials" to steal and sell Inslaw software to law enforcement and intelligence agencies worldwide. Why? "To provide financial gain to Dr. Brian and to further intelligence and foreign policy objectives for the United States."

Brian, at the time, owned Fairfax-based Hadron Inc., and several other companies, including one that competed directly with Inslaw Inc. to create software similar to that which is at the heart of the conspiracy theory.

Shaw, Pittman lawyer Charles Cooper has represented Brian in an attempt to disprove the allegations to House investigators and to the grand jury Bua called in Chicago.

Inslaw was never mentioned in negotiations between Barr and Shaw, Pittman, said managing partner Gerald Chernoff, who said Barr's recusal from the case should close the door on doubts anyone has about a conflict of interest.

—Kristine Loosley

TRI-STATE
Hagerstown, Maryland
December 28, 1992

Revised suit filed in Casolaro case

MARTINSBURG, W. Va.
(AP) — Attorneys representing the family of a free-lance journalist who was found dead in a motel have filed a revamped lawsuit against the city police, a funeral home and county officials.

Joseph "Danny" Casolaro, 44, of Fairfax, Va., was found dead Aug. 10, 1991, in a bathtub at the Sheraton Martinsburg Inn. The state medical examiner's office has ruled Casolaro's death was a suicide but his family and others claim the death was mysterious.

The family's first suit was filed last August, but Berkeley County Circuit Judge Patrick G. Henry III said it was "overly broad" and ordered attorneys to amend and refile the suit. The amended suit was filed last week.

Casolaro's mother, Frances, and his son, Joseph Daniel "Trey" Casolaro III, filed the lawsuit against Berkeley County Coroner Sandra Brining, the Berkeley County Commission-

ers, Brown Funeral Home and Martinsburg City Police. They asked the court to award them \$500,000 from each of the defendants.

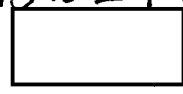
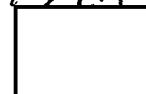
The lawsuit alleged Brining sent the body to Brown Funeral Home without asking the next of kin what they wanted to do. That action violated state law, the suit said.

City police failed to notify the family, and the funeral home "proceeded to embalm the body with extraordinary haste," the lawsuit said. The commissioners were named because they appointed Brining coroner.

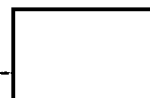
Casolaro had been working for a year on a book on allegations made in 1983 that the Justice Department stole computer programs developed by INSLAW Inc., a Washington, D.C., company.

Friends said Casolaro told them he was going to West Virginia to meet with a source who had information that would "bury the Justice Department."

29B-1A-115702-155



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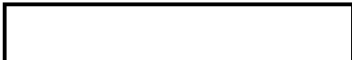


Memorandum




To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 3/31/93

From : SA 

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

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FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC.,
CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

Due to the fact that the use of consensual monitoring in above captioned case is no longer being utilized, it is recommended that subfiles 29B-LA-115702E and 29B-LA-115702EE be closed.


(3) 

29B-LA-115702-157



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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (P) Date 4/7/93

From : SA [REDACTED]

Subject: EARL W. BRIAN, CEO:

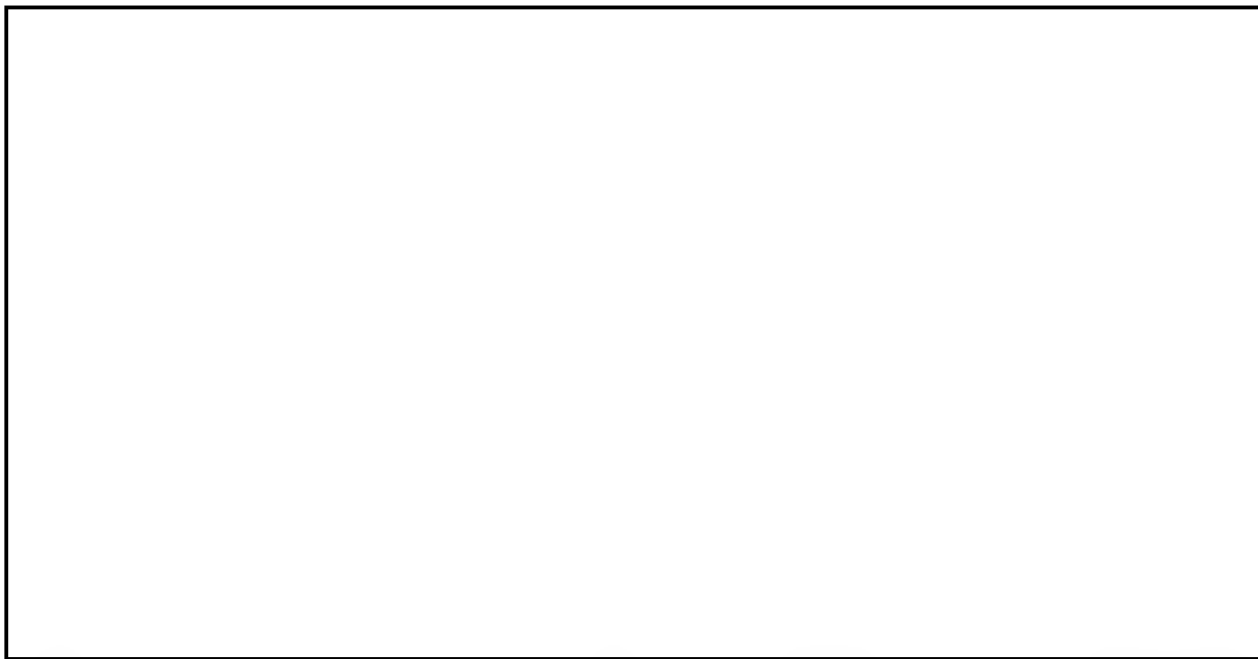
[REDACTED]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC., - CUSTOMER
SECURITY PACIFIC NATIONAL BANK,
LA, CALIFORNIA;
FIF- (BF&E)
OO:LA

[REDACTED] Pursuant to a March 30, 1993 meeting with AUSA [REDACTED]
[REDACTED] a search of the dataquik database was conducted. The
object of this search was to locate properties that are owned by
the subjects of the above captioned investigation. The search
disclosed several properties that may be owned by subjects of
this investigation, and are the subject of a previous memo.

The purpose of this memo is to set forth the results of
a more detailed search of the database. The purpose of this
search and this memo is to facilitate selection of properties for
asset forfeiture purposes. The properties reviewed in this memo
have been selected for review because something in the record
indicates a possible link to one of the subjects identified in
the March 30 meeting. The following chart sets forth the results
of the second search:

| ADDRESS | NAME | LINK | LIEN | ASS'D
VALUE |
|------------|------|------|------|----------------|
| [REDACTED] | | | | |

[REDACTED]
[REDACTED]
[REDACTED]



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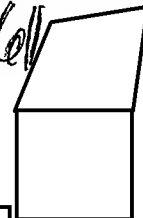
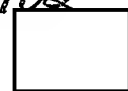
* Recorded Owner entries marked by the asterisk indicate that the mailing address of record for the indicated property is [REDACTED]

[REDACTED] This is the same mailing address recorded for [REDACTED] As set forth in the chart above [REDACTED]

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[REDACTED] may be another spelling of the name [REDACTED] the spellings used by a subject in the above captioned investigation, they are set forth as possibly linked to the investigation.

29B-LA-115702-1611



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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (P) Date 4/7/93

From : SA [REDACTED]

Subject: EARL W. BRIAN, CEO:

[REDACTED]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC., - CUSTOMER
SECURITY PACIFIC NATIONAL BANK,
LA, CALIFORNIA;
FIF-(BF&E)
OO:LA

The purpose of this memo is to advise regarding the results of review of the title report on [REDACTED] and of the results of a search for property owned by the subjects of the above captioned investigation. A copy of the title report is attached as are the results of a statewide search of the Dataquik database for property records.

The title report discloses four deeds of trust recorded against [REDACTED]. These deeds of trust secure approximately [REDACTED]

The statewide dataquik search was performed on the following names with the following results:

[REDACTED] Nine pages of records were recovered as a result of a search of the dataquik database for property owned in the state of California in this name. Without further data it is not possible to determine which, if any, of these properties are owned by the subject in this investigation; and

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[redacted] The search disclosed that he and [redacted]

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[redacted] The search disclosed that [redacted]

[redacted] As the subject in the above captioned investigation is known to use this particular spelling of the name, and is known to reside in [redacted] [redacted] this address may be his home address. The report also disclosed that another property in [redacted]

[redacted] Absent additional information regarding this subject, no definite connection between that property and the subject is apparent; and

[redacted] The search disclosed that [redacted]

[redacted] The search also disclosed that [redacted]

[redacted] The search disclosed that several properties in the state of California [redacted]

[redacted] As the name of the second owner is similar to the name of a subject in the above captioned investigation, these properties may be associated with [redacted] who is a subject of the above referenced investigation. Five additional properties have the same mailing address as [redacted]

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[redacted] The properties are as follows: [redacted]

The search failed to disclose properties within the state owned primarily by Earl W. Brian, [redacted]

[redacted] Additional searches for properties located without the state of California shall be conducted as soon as possible.

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Memorandum

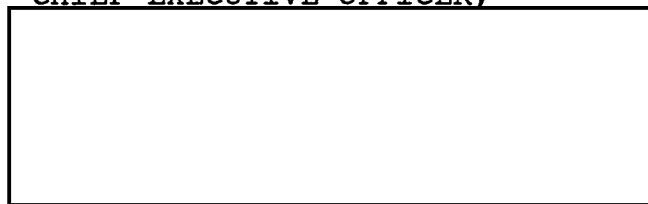


To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 4/9/93

From : SA [REDACTED]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



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FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

SA [REDACTED] has been instructed by SSA [REDACTED] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date.

② - 29B-LA-115702

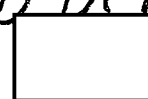
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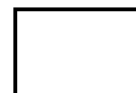
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Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 4/9/93

From : SA [redacted]

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Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;



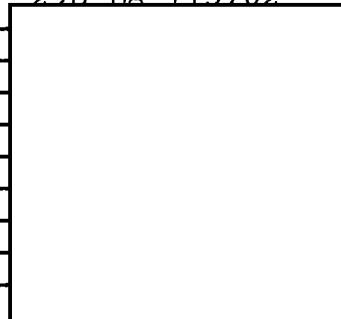
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

SA [redacted] has been instructed by SSA [redacted] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date.

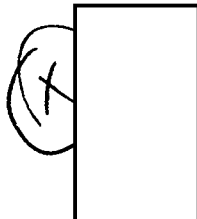
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② - 29B-LA-115702

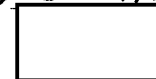
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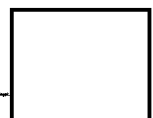
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WEEK OF MARCH 19-25, 1993

Casolaro show draws 500 tips

NBC's 'Unsolved Mysteries' brings big response

By KRISTINE LOOSLEY

More than 500 tips have been called in to the NBC show "Unsolved Mysteries" after it aired a piece on one of Washington's hottest conspiracy theories last week.

The prime time network show reenacted one of the lingering mysteries involving the Inslaw affair — the case involving a small Washington software company that alleges the U.S. Justice Department stole its product and sold it to foreign governments for a profit to finance nefarious deeds.

The show focused on the death of Fairfax freelance journalist Danny Casolaro, who died in Martinsburg, W. Va., in August 1991 after investigating the Inslaw story for two years.

"Unsolved Mysteries" reenacted the scene in a motel room where Casolaro's body was found — his wrists were slashed — and asked viewers to call in with information about the journalist's final days of life. The show added a few Hollywood-style (but factually incorrect) details like bloody handprints on the walls, pools of blood on the carpet.

Martinsburg's police department would not cooperate with NBC in producing the show, and has not requested access to the leads generated by the show, said Tim Rogan, assistant producer.

The leads have been turned over to investigators, who are sorting through them. The investigators asked not to be identified.

The leads range from the ridiculous to the believable. One caller theorized that columnist Jack Anderson had Casolaro killed. Other leads were characterized by the investigator as "solid." For example, several people in Martinsburg called the network to say they saw Casolaro in the town's library on the day he died — a morsel of information not known before that could lead to other information about his last hours.

Others called with the name of a mysterious military man who showed up at a graveside service for Casolaro. The family realized after the service that they did not know who he was or why he'd come to the service.

Inslaw owners Bill and Nancy Hamilton and Casolaro's brother, Dr. Anthony Casolaro, and friends appeared on the network show to discuss why they believe Casolaro did not commit suicide. In the days before he went to Martinsburg, Danny told his brother that he'd had death threats, and not to believe it was an accident if he turned up dead.

"Unsolved Mysteries" got an unexpected plug from a U.S. senator on the day it aired.

During confirmation hearings for attorney general-designate Janet Reno, Sen. Orrin Hatch, R-Utah, said he'd be watching the show that night. He advised Reno to watch the show and then dig into the Casolaro death and the Inslaw case in general upon taking office.

Casolaro's family has requested a face-to-face meeting with Reno to discuss the matter, but has not heard back from her.

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Judge says Elliot Richardson did not libel Inslaw target

Ex-attorney general's op-ed ran in N.Y. Times

By KRISTINE LOOSLEY

Elliot Richardson was using his constitutional right of free speech when he wrote he wrote a searing column linking a Maryland businessman to the theft of Inslaw Inc.'s software, and is therefore immune from a defamation action, a New York judge has ruled.

"A reasonable reader of the editorial would regard defendant Richardson's column as a policy argument on a matter of public concern," wrote New York trial court Judge Harold Tompkins.

Ruling that the op-ed page of the New York Times is a well-recognized venue for the airing of issues of public concern, Tompkins dismissed the \$5.2 million defamation action Earl W. Brian had filed against former Attorney General Richardson.

Brian is a former California health secretary in the administration of then-governor Ronald Reagan and is the former chairman of Infotechnology Inc. In the lawsuit, filed last fall, Brian said he has lost "business opportunities, credit worthiness and community standing" as a result of Richardson's article and that he has "been held up to public contempt, ridicule."

Richardson wrote the piece, called "A High-Tech Watergate" in 1991, and related evidence he'd collected as the attorney for Inslaw that tied Brian and others — including the U.S. Justice Department — to the theft of the Washington-based company's software program, Promis.

Richardson is the attorney for Inslaw, which has been waging a 10-year battle with the Justice Department to get compensated for computer software developed by Inslaw owners Bill and Nancy Hamilton.

Since the piece appeared, the House Judiciary Committee has raised similar allegations and called for the appointment of an independent prosecutor to



Richardson

investigate the Justice Department. Republican Attorney General William Barr refused the request, and instead appointed a "special counsel" to look into the charges. The special counsel, retired Judge Nicholas Bua, recently submitted his report to Attorney General Janet Reno. Reno's office has taken no action on the report, which is sealed at this point because it contains information gained through grand jury proceedings.

No hard proof of Brian's complicity has yet been offered. Richardson's claims that Brian was connected with the "October Surprise" have been discounted by a House committee that investigated the allegations.

Brian has filed notice of his intent to appeal Tompkins' ruling, said his lawyer, Sheldon Camhy.

"New York has a very special free speech law," Camhy said, noting that it may be dangerous to hold to the proposition that material printed on the New York Times' opinion page is somehow automatically immune from libel actions.

In his ruling, Tompkins says the point of Richardson's opinion piece — that the Justice Department had an irreconcilable conflict of interest and therefore should seek appointment of an independent prosecutor to consider the allegations — was one of great public concern and was therefore protected by New York's state freedom of speech and press law.

The court also adopted the argument that the piece was "an accurate description of a governmental proceeding" because it contained information gained in a bankruptcy court action in which Inslaw was awarded \$7 million from the Justice Department. (The award was later overturned on jurisdictional grounds.)

Richardson, who was attorney general during part of the Watergate era, resigned rather than fire Archibald Cox. The incident became locked in the public's memory as the "Saturday Night Massacre."

Judge Bua hands Inslaw report to Reno

Special investigator named by Barr started probe 2 years ago

By KRISTINE LOOSLEY

Attorney General Janet Reno has been handed a lengthy report on the findings of a two-year special investigation into claims by a small Washington computer company that its product was stolen by government agencies.

Special Investigator Nicholas Bua and a team of four U.S. Attorneys flew to Washington from their home base in Chicago to brief Reno just days after she was sworn in.

"We spent half a day with her," said Bua, a retired federal judge appointed by former Attorney General William Barr. Bua and his team were asked to investigate the findings of two U.S. courts that indicate the U.S. Justice Department had stolen Inslaw Inc.'s complex computer tracking program, called Promis.

The Justice Department would not comment. In her first press conference, Reno acknowledged that she would make resolution of the Inslaw case a priority.

Inslaw claims the government owes it hundreds of millions of dollars because Justice allegedly distributed Promis worldwide to intelligence agencies. The motive for the distribution, as explained by Inslaw owners Bill and Nancy Hamil-

ton, included attempts by the government to raise money for covert operations by selling the valuable software abroad.

Reno has the only copy of the report, which is being held in strict confidence by Bua because he considers it a private communication between himself and his client, the attorney general.

"It's quite a report," Bua said as his only comment in describing the work. He would not describe its length or breadth, saying that would be left to Reno.

The Inslaw matter was raised as an issue of high priority by both Republican and Democratic members of the Senate Judiciary Committee during Reno's confirmation hearing. Bua said Reno expressed a "nodding acquaintance" with the matter when he briefed her.

The Hamiltons, their attorney and Democrats on Capitol Hill cried foul when Bua was initially appointed. In adopting the findings of its own investigators, the House Judiciary Committee concluded Bua was not independent and therefore should not investigate the



Bua

agency that hired him.

The House Judiciary Committee voted to request that Barr seek appointment of an independent prosecutor. Barr refused, and has since gone to work at the Washington law firm that represents one of the key people cited in the House report.

Bua's report will, therefore, likely be greeted with the same skepticism if it is ever made public.

It's unclear whether Reno intends to make Bua's recommendations public. Much of the information in the report comes from testimony taken before a grand jury in Chicago.

Bua would not discuss the grand jury proceedings.

Reno has not yet responded to a request for a meeting made by family and friends of the late Daniel Casolaro, a freelance journalist who was investigating the Inslaw case when he was found dead in a motel room in Martinsburg, W.Va. in 1991.

Casolaro's death was ruled a suicide by local police after two separate investigations, but the House Judiciary Committee said the claims that the journalist may have been killed because of what he knew deserved a federal investigation.

Memorandum



To : SAC, Los Angeles (29B-LA-115702) (P) Date 6/3/93

From : SA [redacted]

Subject: EARL W. BRIAN, CEO;
[redacted]

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FINACIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC., -CUSTOMER
SECURITY PACIFIC NATIONAL BANK;
L.A., CALIFORNIA
FIF-(BF&E)
OO:LA

Pursuant to a March 30, 1993 meeting between AUSA [redacted] and agents of the Los Angeles Field Office of the Federal Bureau of Investigation forms bearing the names and identifying data of the following subjects were provided to the Butte Information Technology Center (BITC): [redacted] EARL W. BRIAN, [redacted] This information was then used to query data bases comprised of property ownership, and conveyance records for 34 states, and various federal agencies. The objective of this search was to was to find property held in the names of various of the subjects in the above referenced investigation.

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The search produced hundreds of records of properties owned by parties with names similar to or the same as the subjects of the above referenced investigaion. The majority of the records lacked sufficient detail to identify the properties described therein with the subjects of the above referenced investigation: The similarity of the name recorded in the transaction or ownership record to the name of one of the subjects was the only characteristic that would identify the property with the subjects of the above referenced investigation.

The search disclosed one property not already identified with the subjects (See memo dated April 7, 1993). The address of this property is [redacted]

[redacted] This property is recorded in favor of [redacted] and the mailing address, [redacted] is one used by [redacted] for several other properties that he owns.

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A copy of the LEXIS-NEXIS print out provided by the BITC has been forwarded to the case agent, while a second copy has been retained by the asset forfeiture unit.

29B-LA-115702-186
[redacted]
[redacted]
[redacted]

TRANSCRIPT OF MONEYLINE
MAY 18, 1993

Kandel Says Janet Reno Must
Redeem Justice Department

LOU DOBBS, Anchor: Attorney General, Janet Reno, still must deal with the Inslaw [sp] case, the software company two federal judges say was ripped-off by the federal government. Reno's predecessor in the Bush administration, William Barr, named a special counsel to investigate. She should make it public and act on it. Myron?

MYRON KANDELL, Correspondent: Lou, if the Attorney General wants to dispel one of the darkest clouds hanging over the reputation of her department, she should act immediately on the Inslaw case. The way she handles this potentially explosive matter will tell us a lot about her style of management and her independence from political pressures. Her two predecessors, William Barr and Dick Thornberg, didn't distinguish themselves in this regard. For just today, the new leadership of the Justice Department added to the confusion. Asked about the Inslaw case at his Senate confirmation hearing, Deputy Attorney General-designate Phillip [sp] Hyman [sp] said a report by a federal— a retired federal judge, hired by Barr to look into the matter, has been sent to Inslaw's lawyers. I called the company's president and he said neither he nor the lawyers had received it. I called again a few hours later — It still hadn't arrived. I asked Justice about this disparity and they finally explained that, while Hyman thought it had been sent, it had not. The Inslaw mess has reflected for too long on the integrity of the Justice Department and there can be no excuse for a third administration to allow it to be snarled in red tape or obstructed. Now Janet Reno has had a lot on her plate, but she must deal with the Inslaw mess, both in the interest of justice to a company that appears to have been ripped-off by the U.S. government, itself, and to see if any federal officials have engaged in criminal activity. She must act, Lou.

MONDAY, MAY 31, 1993

Justice Dept. Spent \$29,233 Copying Papers for Thornburgh

By Michael Isikoff
Washington Post Staff Writer

The Justice Department late last year spent \$29,233 copying thousands of pages of documents for the personal archives of former attorney general Dick Thornburgh, government auditors have found.

In the final months of the Bush administration, Justice Department and FBI employees—some working overtime—were told to photocopy 89 boxes of documents and 149 reels of microfilm so they could be shipped to a Pittsburgh warehouse where Thornburgh keeps his personal papers. Included were copies of documents from highly sensitive law enforcement investigations.

Although previous attorneys general have removed or copied official records upon leaving office, the unusually large photocopying project for Thornburgh, who headed the Justice Department from 1988 to 1991, prompted high-level concern among officials late last year that the government was being required to pay the cost of reproducing private archives, according to officials familiar with the matter.

That issue—and other questions about the handling of the Thornburgh papers—has spurred a broader review of what department officials acknowledge are weak internal controls and confusing guidelines governing the transfer of documents to senior officials after they leave office.

Federal regulations require agencies to ensure the protection of restricted material—such as classified documents and files containing grand jury evidence—when it is removed from the government. Justice Department officials say they did this in Thornburgh's case: He signed a Sept. 3, 1992, letter certifying that "I have not removed any classified documents" and pledging never to disclose non-public law enforcement material.

But Justice Department record managers told General Accounting Office auditors that they never screened the files in question and are not sure what sensitive material had been copied for the former attorney

general. This happened in part because "Mr. Thornburgh wanted the materials removed soon after the November 1992 election" and the record managers said they "lacked the resources to do" the screening "in the last three months of the year," the GAO wrote on May 13 to Rep. John Conyers Jr. (D-Mich.), chairman of the House Government Operations Committee.

Recently granted limited access to the Thornburgh archives, GAO auditors found folders on some of the most controversial matters during his tenure—among them the Iran-contra affair and Inslaw, the Washington computer firm that has alleged it was the victim of a massive department-wide conspiracy to steal its software.

After reviewing a sample of seven boxes, the auditors said they found 31 documents marked "sensitive" or "limited official use," including reports on criminal investigations of a former member of Congress and an organized crime figure, memos on international drug enforcement and files on the leak of information from the department.

The auditors said they also found three file folders with non-sensitive "original" documents that "should have been retained" by the Justice Department. Thornburgh's archivist, Nancy Watson, suggested that the originals "could have been inadvertently mistaken for copies" when the boxes were prepared. Department officials said, however, that it is likely there are other original documents now in the Pittsburgh warehouse.

Contacted late last week, Thornburgh said his aides had simply made a blanket request for all his personal records when he left office. But arrangements "dragged on and on" and weren't resolved until the end of the Bush administration.

"I didn't personally have anything to do with this," said Thornburgh, adding that he left the matter of retrieving his papers to others. Thornburgh, who recently resigned as United Nations undersecretary general for administration and management, said he has no plans to do

anything with the material and is not working on a book. "I haven't even looked at the stuff," he said. "Is this a big deal?"

Robert Yahn, assistant director of the Justice Department's executive secretariat, who oversaw transfer of the material, said the documents had been taken from Thornburgh's office in 1991 and placed in a storage room at Justice Department headquarters. Although Thornburgh said he made only a general, blanket request for all "his papers," Yahn said he recalls receiving from Thornburgh aides a detailed 25-page typed inventory outlining precisely which files were being sought.

At first, Yahn said, the Thornburgh aides wanted some original documents—a request he said he refused. That left the department with the alternative of copying the records, a project that turned out to be far larger than was done for former attorney general Edwin Meese III in 1988.

"The costs were significant, if not substantial, and this was known at the higher levels of the department," said Yahn. Another knowledgeable source said that Dan Levin, chief of staff to then-Attorney General William P. Barr, also questioned the cost of copying the papers, but approval was ultimately given by Harry Flickinger, then assistant attorney general for administration. He could not be reached for comment last week.

Auditors estimated the cost to the FBI of copying 70 of the boxes at \$20,606, including paper and overtime. The calculations were based on an average of nine staff hours to copy the contents of each box. In addition, Yahn said, contract employees of the department's Environment and Natural Resources Division were used to copy the remaining 19 boxes of documents and two boxes of microfilm. This produced an added cost to the department of \$8,627, according to GAO.

Asked if he thought it was proper to ask the Justice Department to pay nearly \$30,000 to copy his personal papers, Thornburgh said, "Beats me. I don't know what it costs.... That's the department's call."

The Washington Post

SATURDAY, MAY 29, 1993

The Inslaw Investigation

THIS WEEK, Attorney General Reno scheduled a meeting of the parties to the Inslaw dispute between a Washington-based computer software firm and the Department of Justice. It will be held next month. That's a good sign. The terrible suspicions raised in the Inslaw case cry out for resolution.

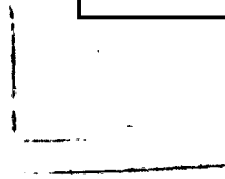
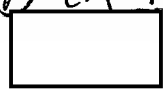
Inslaw maintains that during the Reagan years, certain Justice Department officials and their friends conspired to steal valuable software the firm had developed and supplied under contract to the government. The company won millions of dollars in damages, but the victory was reversed by an appellate court for reasons having to do with the authority of the bankruptcy court and not the merits of the dispute. A Senate committee investigation was inconclusive because the Justice Department refused to cooperate. The House Judiciary Committee looked into the case, issued a critical report and later called for the appointment of an independent counsel. Former attorney general William Barr, however, chose to name a special investigator of his own, Nicholas Bua, a retired federal judge in Chicago. Judge

Bua convened a grand jury, spent 16 months on an investigation and presented his report to the attorney general a few days after she took office.

What has happened since? A department spokesman says the material is still being studied and edited to remove information relating to national security. It will be sent to Inslaw's attorneys soon. It cannot be soon enough for William and Nancy Hamilton, who own the firm and who may be owed a fortune if their claims prove correct. Nor can it be too soon for those officials of the Meese Justice Department whose reputations have been under a cloud since these allegations surfaced in 1985.

This is more than a simple contract dispute, because the Hamiltons allege not just bad faith but criminal conduct on the part of high government officers. Partisan lines have been drawn as well, with the Democratic Congress challenging a Justice Department controlled by Republicans. Attorney General Reno's views of the Bua report and her conclusions about these serious charges are urgently needed.

29B-LA-115702-170



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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

LITIGATION

RELEASE NO. 13684/June 28, 1993

ACCOUNTING AND AUDITING ENFORCEMENT

RELEASE NO. 459 /June 28, 1993

SECURITIES AND EXCHANGE COMMISSION v. [REDACTED] EARL W. BRIAN, [REDACTED] U.S. District Court for the District of Columbia, Civil Action No. 93-1331

The Securities and Exchange Commission today announced the filing of a Complaint for Injunctive and Other Relief in the U.S. District Court for the District of Columbia against the following individuals: [REDACTED]

[REDACTED] Earl W. Brian of Maryland and New York City; [REDACTED]

[REDACTED] The Complaint alleges numerous violations of the antifraud, reporting and books and records provisions of the federal securities laws.

All of the defendants were officers of Financial News Network Inc. ("FNN"), the now-defunct cable television network. [REDACTED]

[REDACTED] until he was placed on leave of absence in July 1990. Brian was FNN's Chairman and Chief Executive Officer. [REDACTED] of United Press International, Inc. ("UPI"), until he succeeded [REDACTED] in July 1990. [REDACTED] until he was placed on leave of absence in August 1990.

The Commission's Complaint alleges that [REDACTED] fraudulently inflated FNN's reported revenues and earnings for fiscal 1989 and the first three quarters of fiscal 1990, and that [REDACTED] Brian [REDACTED] attempted to cover up and perpetuate the fraud during FNN's fiscal 1990 audit. The inflation of FNN's revenues and earnings was primarily accomplished through the manipulation of revenues from two related companies of FNN--UPI and Institutional Research Network, Inc. ("IRN"). In connection with the scheme, the Commission charges that the defendants made false statements and supplied false documents to FNN's independent auditors, and that [REDACTED] knowingly falsified FNN's books and records. [REDACTED] also caused FNN to pay approximately \$800,000 in unauthorized compensation to a company that he secretly controlled, and engaged in insider trading by selling 20,000 shares of FNN stock at \$9 per share while in possession of material, nonpublic information concerning the fraudulent inflation of FNN's financial results.

Specifically, the Commission alleges that [REDACTED] caused revenue from UPI to be fraudulently overstated in FNN's fiscal 1989 annual financial statements and in its quarterly financial statements for the first three quarters of fiscal 1990. [REDACTED] caused revenue from IRN to be fraudulently overstated in FNN's quarterly financial statements for the first three quarters of fiscal 1990. [REDACTED] also caused FNN's fiscal 1989 earnings to be fraudulently overstated by understating the

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amount of a write-off of the assets of a discontinued business segment, according to the Commission's Complaint.

In connection with the scheme to inflate revenues and earnings, [] allegedly caused FNN to enter into numerous equipment sale/leaseback transactions in which the quantity, type and value of the equipment being sold, the identities of the sellers, and the disposition of the proceeds of the transactions were falsified. Among other things, funds generated by these transactions were circulated through UPI and IRN and then back to FNN in an attempt to deceive FNN's auditors into believing that the related companies had the ability to pay the amounts charged by FNN.

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As a result of the scheme to inflate revenues and earnings, FNN's fiscal 1989 annual financial statements overstated total revenues by approximately 17%, pretax income from continuing operations by 96%, total current assets by 24.5%, and total assets by 8%. The 1989 financial statements also understated the loss from discontinued operations by approximately 46%. FNN's financial statements for the first quarter of fiscal 1990 overstated revenues by approximately 42.5% and pretax income by 382%. The second quarter financial statements overstated revenues by approximately 40% and pretax income by 421%. FNN's third quarter financial statements overstated revenues by approximately 44%, pretax income by 483%, total current assets by 28%, and total assets by 12%.

The Complaint alleges that during FNN's fiscal 1990 audit, [] Brian, [] [] supplied the Company's auditors with false and misleading documents, and made numerous false statements to the auditors, as part of a scheme to conceal and perpetuate the fraudulent inflation of FNN's UPI and IRN revenues. In addition, Brian [] attempted to conceal the fraudulent sale/leaseback transactions from the auditors, by causing FNN and affiliated companies to purchase similar equipment during the 1990 audit and then attempting to pass off that equipment to the auditors as equipment that had either been acquired from UPI or possessed by FNN for some time.

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In addition to permanent injunctions against all defendants, the Commission is seeking to force [] to disgorge all of his illicit profits and losses avoided, with prejudgment interest, and pay a penalty under the Insider Trading Sanctions Act of 1984. The Commission is also seeking a Court order prohibiting [] from serving as an officer or director of any publicly held company.

Brian has agreed to consent, without admitting or denying the allegations in the Complaint, to the entry of a Final Judgment of Permanent Injunction enjoining him from future violations of Rules 10b-5 and 13b2-2 under the Securities Exchange Act of 1934, the relief sought in the Complaint.

(Indicate page, name of newspaper, city and state.)

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Date: 06/29/93
Edition: LOS ANGELES TIMES

Title:

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Classification:

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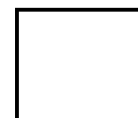
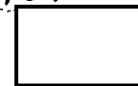
Indexing:

D2 TUESDAY, JUNE 29, 1993 ★

BRIEFLY**MEDIA & ENTERTAINMENT**

Charges Allege False Record-Keeping: The SEC accused four ex-officers of the defunct Financial News Network Inc. with overstating the company's earnings. One of the four defendants, C. Stephen Bolen of Los Angeles, the cable company's executive vice president and chief financial officer, was also charged with insider trading in company stock while knowing of the inflated earnings reports. Others named are Gary Prince of Oakton, Va., former chief financial officer of United Press International; Mitchel Young of Marina del Rey, FNN's controller, and Earl Brian of Maryland, who was FNN's chairman and chief executive.

29B-LA-115702-171

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Ex-FNN Officials Are Accused by SEC Of Falsifying Data

By CHRISTI HARLAN

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON — The Securities and Exchange Commission accused four former officers of Financial News Network Inc. of falsifying the company's own financial news.

The SEC complaint, filed in federal court here, alleges among other things that FNN's founder and former top officer, Earl W. Brian, helped cover up inflated revenues for FNN and affiliated companies. Mr. Brian, a former neurosurgeon now working as a consultant and venture capitalist, agreed to settle with the SEC without admitting or denying wrongdoing.

In a statement, Mr. Brian said the settlement was "the only practical course for me to take."

He is accused by the SEC of helping conceal financial data allegedly inflated by FNN's former chief financial officer, C. Stephen Bolen of Los Angeles, with the help of company controller Mitchel H. Young of Marina del Rey, Calif. Mr. Young's lawyer, James Chalfant of Los Angeles, said he hadn't read the complaint and couldn't comment.

The allegedly inflated figures pumped up the company's balance sheet for fiscal 1989 and the first three quarters of 1990.

The complaint charges that Messrs. Bolen and Young were assisted by Gary A. Prince, of Oakton, Va., former chief financial officer for an FNN affiliate, United Press International Inc. The complaint charges, among other things, that UPI paid for leasing a television signal that it never used. Mr. Prince's lead defense lawyer, Joseph Warin, couldn't be reached for comment.

Mr. Bolen is also accused of diverting \$800,000 of FNN funds to a company he controlled. In addition, he is accused of insider trading in the sale of 20,000 shares of FNN stock at \$9 a share. The sale took place shortly before FNN announced an impending restatement of seven quarters of earnings and the SEC probe. The stock price subsequently dropped to a low of \$1.75 a share. Mr. Bolen's lawyer couldn't be reached for comment.

Allegations of questionable financial transactions between FNN and two affiliated companies, UPI and Institutional Research Network Inc., were just beginning to surface when FNN sought bankruptcy-court protection in March 1991.

After a bidding war that included Dow Jones & Co., publisher of The Wall Street Journal, FNN's cable television operations were sold to CNBC, General Electric Co.'s cable business news and talk network. UPI, which also sought bankruptcy-court protection, has also been sold.

B6 THE WALL STREET JOURNAL TUESDAY, JUNE 29, 1993

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Ex-FNN officers face revenue fraud charges

Associated Press

WASHINGTON — Federal securities regulators charged four former officers of Financial News Network on Monday with a scheme to inflate the defunct cable television network's revenues by millions of dollars.

Three of the former executives, C. Stephen Bolen, Gary A. Prince and Mitchel H. Young, were accused of manipulating the revenues of two FNN companies — United Press International Inc. and Institutional Research Network Inc., IRN, — as part of the alleged scheme in 1989 and 1990.

All three, and former FNN chairman Earl W. Brian, 51, of New

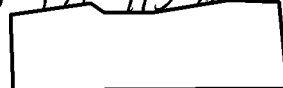
York also were accused of trying to cover up the scheme during a 1990 outside audit.

The allegations were made in a federal civil lawsuit filed at federal court in Washington by the Securities and Exchange Commission, which accused the defendants of making false statements and supplying false documents to outside auditors who were checking the accuracy of FNN's books.

Brian, without admitting or denying wrongdoing, agreed to settle the SEC charges.

Young's lawyer, James Chalfant, said through a spokesman that he had not had time to study the complaint and declined comment.

29B-1A-115702-174



LOS ANGELES TIMES

D2 TUESDAY, JUNE 29, 1993 ☆

BRIEFLY

MEDIA & ENTERTAINMENT

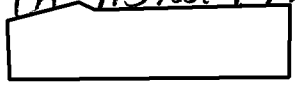
Charges Allege False Record-Keeping: The SEC accused four ex-officers of the defunct Financial News Network Inc. with overstating the company's earnings. One of the four defendants, C. Stephen Bolen of Los Angeles, the cable company's executive vice president and chief financial officer, was also charged with insider trading in company stock while knowing of the inflated earnings reports. Others named are Gary Prince of Oakton, Va., former chief financial officer of United Press International; Mitchel Young of Marina del Rey, FNN's controller, and Earl Brian of Maryland, who was FNN's chairman and chief executive.

29B-LA-11572-175

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We offer two illustrations of the credibility problems in this latest Justice Department investigation of itself.

The first concerns the Special Counsel's treatment of the claims from a number of informants, including several current and former Justice Department officials, that INSLAW's PROMIS software has been illegally distributed to U.S. law enforcement and intelligence agencies, including the FBI. The Special Counsel dismisses these claims based primarily on a consultant's cursory examination of the FBI's investigative case management system. Some of the statements made by the Special Counsel's consultant reflect a complete lack of understanding of the application domain of case management. Other statements made by the consultant reflect an uncritical acceptance of representations by the FBI about technical aspects of its software system that simply cannot be true, given other written disclosures by the FBI about the system. Finally, the consultant inexplicably failed to compare the source code of the FBI system with the PROMIS source code, the single most important step in any investigation.

The second illustration concerns the Special Counsel's uncritical acceptance of suicide as the cause of death of Danny Casolaro, an investigative journalist who had gone to Martinsburg, West Virginia, for a follow-up meeting with an important source on the Justice Department's theft of the PROMIS software and the alleged distribution of the stolen software to foreign intelligence and law enforcement agencies.

The Special Counsel's investigation failed to contact or interview confidants and associates of Casolaro to find out if any of them could shed light on whom Casolaro was seeing in Martinsburg. Had the Special Counsel interviewed Casolaro's confidants and associates, he would have learned that Casolaro claimed to have obtained, from sources [REDACTED] sensitive documents on the sales of PROMIS to foreign governments and on the money trail through the Cayman Islands and Switzerland of the proceeds from at least some of the sales.

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Moreover, the Special Counsel would have learned that Casolaro was planning to meet in Martinsburg, West Virginia, the night before he died with a relative of a key Justice Department figure in the INSLAW case. Casolaro expected to obtain from the relative of the Justice Department official documents backing up claims that source had made to Casolaro in another West Virginia meeting that occurred just a few days earlier. Casolaro had also planned to show some of his own sensitive INSLAW documents to the relative that night.

These leads do not prove that Casolaro was murdered or that PROMIS has been distributed to foreign governments, but the failure to pursue such leads gives rise to obvious questions about the thoroughness and reliability of the Special Counsel's report.

June 18, 1993

Statement by [redacted]
regarding the release of the [redacted] Report

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While I have not yet had a chance to study the report in detail, what I have seen of it is remarkable both for its credulity in accepting at face value denials of complicity in wrongdoing against INSLAW and for its failure to pursue leads making those denials implausible.

The Washington Post

FRIDAY, JUNE 18, 1993

Justice Dept. Inquiry Rejects Inslaw Charges *Computer Firm's Allegations Called Unfounded*

By Michael Isikoff
Washington Post Staff Writer

A Justice Department investigation rejects as without foundation longstanding allegations that high-level department officials used "fraud, trickery and deceit" to steal software from a Washington computer company and drive it into bankruptcy.

Instead, a report on the six-month probe, written by retired federal judge Nicholas Bua, concludes that "all of the actions" by department employees relating to the Inslaw computer firm were made in "good faith" and that there are no grounds for bringing criminal charges or disciplinary actions against those who dealt with the firm.

The 267-page report represents a virtually complete repudiation of allegations by Inslaw owners, William and Nancy Hamilton, involving a computer software program they developed in the early 1980s to help U.S. attorney's offices across the country track cases.

Over nearly a decade, the initial charges concerning the alleged theft of their software evolved into an elaborate conspiracy theory involving top Justice Department officials in the Reagan and Bush administrations.

The theory also came to include foreign intelligence agencies, the 1981 release of American hostages from Iran and the 1991 murder of a freelance journalist in a West Virginia hotel.

Thanks in part to efforts of the Hamilton's lawyer, former attorney general Elliot L. Richardson, many of these allegations have gained wide currency in the press and among members of Congress. A report by the House Judiciary Committee last September concluded there was "strong evidence" to support some of the Hamiltons' claims and a "clear need for further investigation" by an independent counsel.

But it was unclear yesterday whether Attorney General Janet Reno would accept all of the findings of Bua, appointed to investi-

gate the Inslaw allegations last year by then-Attorney General William P. Barr. Bua's independence had been questioned from the outset.

Department spokesman Carl Stern said yesterday that copies of the report were being distributed to Congress and Inslaw with a request that they provide their views on the matter by Aug. 1. "We are certainly eager to receive comments from lawyers for Inslaw and interested members of Congress that will help to resolve the matter and put the Inslaw case behind us," he said.

But a knowledgeable source said Richardson and the Hamiltons met with Reno last Friday. At the meeting, the source said, Reno was frosty and rejected their plea for an independent investigator, suggesting that she was unlikely to agree to negotiations that would lead to a generous settlement of their claims for compensation.

Contacted last night, Nancy Hamilton said the report was "fatally flawed, the inevitable product of a beleaguered institution that insists in being the only judge of its own conduct."

She said the firm was preparing a detailed analysis of its "errors of fact and omissions."

The Inslaw affair dates back to March 1982 when the firm was awarded a \$10 million Justice Department contract to implement its PROMIS case management software at U.S. attorney's offices. But Inslaw and department officials quickly clashed over the firm's performance and by early 1985, Inslaw was on the brink of bankruptcy after the department terminated parts of the contract.

A federal bankruptcy judge in 1987 upheld some of the Hamiltons' claims, finding that department officials "took, converted and stole" the Inslaw software. Although that ruling was overturned on procedural grounds, the Hamiltons expanded allegations to assert that department officials transferred the software to a firm headed by Earl Brian, a friend of then-attorney general Edwin Meese III, as a payoff for his help in the release of the American hostages from Iran, and



ELLIOT L. RICHARDSON

... former U.S. official pressed case

that Brian then earned hundreds of millions of dollars selling the software to intelligence agencies around the world.

The Bua report states that "the allegations in this case seem to know no bounds." But after spending nearly \$300,000 and using a staff of six federal prosecutors, Bua concludes "there is no credible evidence" of a conspiracy between department officials and Brian, adding that "the overwhelming weight of the evidence is that there was absolutely no connection between Earl Brian and anything related to Inslaw or PROMIS software."

Bua attacks the credibility of most of the individuals relied upon by the Hamiltons to advance their claims, noting that one of them, Michael Riconosciuto, is a convicted drug dealer who first aired his allegations of a tie between Brian and the Iranian hostages to a Lyndon LaRouche publication.

Bua also states that another key source for the Inslaw allegations, former Israeli intelligence agent Ari Ben Menahem, had acknowledged to his investigators that he had misled the Hamiltons, falsely asserting in court affidavits, in an effort to gain publicity for a book he was writing, that he had personal knowledge of Brian selling the PROMIS software to Israel and Iraq.

Finally, Bua rejects charges by the Hamiltons that freelance journalist Joseph Daniel Casolaro was murdered in August 1991 because he was uncovering evidence of an "octopus" conspiracy linking Inslaw to other scandals. The physical evidence in Casolaro's hotel also "strongly supports" police conclusions that it was a suicide, the report says.

Inslaw's lawyer slams Justice investigation

By Jerry Seper
THE WASHINGTON TIMES

Former Attorney General Elliot Richardson says the Justice Department "failed to pursue" leads in a 16-month investigation into allegations that department officials conspired to steal a software program from a D.C.-based firm.

Mr. Richardson, who headed the department under President Nixon and served in three other Cabinet positions, also questioned the credibility of the investigation by former U.S. District Judge Nicholas J. Bua.

"What I have seen of it [the report]," said Mr. Richardson, who represents the firm, Inslaw Inc., "is remarkable both for its credulity in accepting at face value denials of complicity in wrongdoing against Inslaw and for its failure to pursue leads making those denials implausible."

The department, in a report released Thursday, said there was "no credible evidence" to support allegations that high-ranking officials, including former Attorney General Edwin Meese III, conspired to steal a software program from the firm to deliver to a Meese associate, Earl Brian.

"We find there is no credible evidence to support either the allegation that there was a scheme to defraud Inslaw, or the allegation that [Justice Department] employees conspired ... to steal Inslaw's software," the report said.

It was the second time the department had investigated itself in the matter, with both inquiries reaching the same conclusion.

Inslaw President William A. Hamilton said yesterday that the report "flatly contradicts" the findings of two federal judges and the conclusion of an investigation by the House Judiciary Committee.

"This secret investigation by the Justice Department of its own conduct is fatally flawed, the inevitable

product of a beleaguered institution that insists on being the only judge of its own conduct," Mr. Hamilton said.

He and Mr. Richardson have argued that the allegations should be investigated by an independent counsel, appointed by an outside panel with access to the department's files and subpoena power to obtain the necessary documents.

The Bua report was given to Attorney General Janet Reno in March, shortly after she was sworn in. Department sources said they do not expect she will seek an independent counsel in the case, although she did meet with Mr. Hamilton and his wife, Nancy, to discuss the report and the allegations.

The Justice Department-Inslaw dispute involves a three-year, \$10 million contract awarded in March 1982 for software designed to track criminal cases and defendants through the legal system. Mr. Hamilton said the firm went bankrupt after the department began withholding payments a month after demanding — and obtaining — a copy of the company's proprietary software.

In November 1991, then-Attorney General William P. Barr appointed Judge Bua, a former U.S. District Court judge in Chicago, as a special counsel to investigate the matter.

In 1988, a federal bankruptcy judge awarded Inslaw \$7.8 million in damages after finding that Justice Department officials had improperly taken control of the software. The ruling was upheld in 1989 by a U.S. District Court judge but was overturned by the U.S. Circuit Court of Appeals in Washington, which said Inslaw had taken the matter to the wrong court.

The House Judiciary Committee, by a 21-13 vote last year, urged that an independent counsel be appointed in the case. The committee concluded in a report following a three-year probe by staff investiga-

tors that there was "strong evidence" department officials had conspired to steal the multimillion-dollar Inslaw program.

It was not clear yesterday if the committee intended to pursue its request, which was rejected at the time by Mr. Barr. However, sources close to the panel said Committee Chairman Jack Brooks, Texas Democrat, was not happy with the Bua report.

Mr. Brooks, who was not available for comment yesterday, has said that two Attorneys General, Mr. Meese and Dick Thornburgh, "blocked or restricted" congressional inquiries into the matter and that Mr. Thornburgh "ignored" court findings showing that the Inslaw software had been stolen.

The Bua report also said there was no evidence to support concerns — by Mr. Hamilton and others — that the death of free-lance writer Joseph Daniel Casolaro, 44, had anything to do with the Inslaw matter. The report said there was no information to refute claims by Martinsburg, W.Va., police that Mr. Casolaro had killed himself.

Mr. Casolaro was looking into the Inslaw allegations at the time of his death in August 1991. His body was found in a bathtub by employees of the Sheraton Hotel in Martinsburg, an artery in his arm slashed.

Mr. Hamilton said Justice Department investigators did not interview friends and associates of Mr. Casolaro "to find out if any of them could shed light on whom Casolaro was seeing in Martinsburg." He said — without elaboration — that Mr. Casolaro was planning to meet "a key Justice Department figure in the Inslaw case" the night before he died.

"Failure to pursue such leads gives rise to obvious questions about the thoroughness and reliability of the special counsel's report," he said.

G #104367;RICHARD P /SEC-FNN /
AM-SEC-FNN, 1st Ld-Writethru, f0239,0590

Four Former Cable Network Execs Accused of Financial Fraud
Eds: Recasts lead to include scale of alleged fraud; Inserts
new grafs 5-8 to include no comment from defense attorneys and
add detail, deletes last graf pvs. as extraneous. 483 percent
in 9th graf is CQ<

WASHINGTON (AP) _ Federal securities regulators on Monday
charged four former officers of Financial News Network with a
scheme to inflate the defunct cable television network's
revenues by millions of dollars.<

Three of the former executives, C. Stephen Bolen, Gary A.
Prince and Mitchel H. Young, were accused of manipulating the
revenues of two FNN companies _ United Press International Inc.
and Institutional Research Network Inc., IRN, _ as part of the
alleged scheme in 1989 and 1990.<

All three, and former FNN chairman Earl W. Brian, 51, of New
York, also were accused of trying to cover up the scheme during
a 1990 outside audit.<

The allegations were made in a federal civil lawsuit filed
at federal court in Washington by the Securities and Exchange
Commission, which accused the defendants of making false
statements and supplying false documents to outside auditors
who were checking the accuracy of FNN's books.<

Brian, without admitting or denying wrongdoing, agreed to
settle the SEC charges.<

Young's lawyer, James Chalfant, said through a spokesman he
had not had time to study the complaint and declined comment.<

Lawyers for the Bolen and Prince could not be reached
immediately for comment.<

The SEC charged that Bolen allegedly falsified equipment
leasing documents so FNN wound up leasing the same equipment
more than once.<

Los Angeles-based FNN, which suffered losses totaling \$72.4
million for fiscal year 1990, filed for bankruptcy protection
in 1991 and later sold its core media to CNBC, a division of
the National Broadcasting Corp.<

UPI, once the second-largest U.S.-based news service after
The Associated Press, also filed for bankruptcy protection in
1991 and was sold last year to a Saudi group.<

IRN, which supplied financial news and analysis to investors
via satellite, was wholly owned by FNN's parent company,
Infotech.<

As a result of the alleged scheme, the SEC charged, FNN's

fiscal 1989 annual financial statements overstated total revenues by approximately 17 percent, pretax income from continuing operations by 96 percent and total assets by 8 percent.<

The defendants also were accused of trying to perpetuate the scheme and inflate FNN's earnings in the first three quarters of 1990. FNN's third quarter financial statement for 1990 overstated revenues by 44 percent and pretax income by 483 percent, the SEC charged.<

Bolen, 47, of Los Angeles, was executive vice president and chief financial officer of FNN at the time of the alleged fraud. Prince, 38, Oakton, Va., was chief financial officer at UPI and Young, 42, Marina del Rey, Calif., was FNN's controller.<

The SEC also accused Bolen of causing FNN to pay about \$80,000 in unauthorized compensation to a company he secretly controlled and of engaging in insider trading by selling 20,000 shares of FNN stock while the fraudulent scheme was in progress.<

In addition to court orders barring all four from engaging in further alleged securities law violations, the SEC sought to force Bolen to pay back all his alleged illegal profits from insider trading. The SEC also sought to bar Bolen from serving as an officer or director of a publicly held company.<

Brian, without admitting or denying wrongdoing, agreed to settle the SEC charges.<

AP-WS-06-28-93 1935EDT
(END)

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| Advertising Column | C17 | Key Rates | C14 |
| American Stock Exchange | C12 | Market Place | C6 |
| Company Earnings | C14 | Media Business | C17 |
| Company News | C4 | Mutual Funds | C15 |
| Credit Markets | C1 | Nasdaq National Market | C10 |
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| Dividend News | C9 | Overseas Stocks | C18 |
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Index of Companies in the News, Page C2.

S.E.C. Accuses 4 of Fraud At Financial News Network

By JOHN H. CUSHMAN Jr.

Special to The New York Times

WASHINGTON, June 28 — The Securities and Exchange Commission today accused four former officers of Financial News Network, the defunct cable television operation, of fraud and other securities violations for exaggerating FNN's financial results in 1989 and 1990.

By manipulating the revenues from two of FNN's related companies, United Press International and International Research Network Inc., the officers consistently inflated the revenues of the troubled enterprise, according to a complaint filed in the United States District Court for the District of Columbia.

One officer, C. Stephen Bolen, was also accused of causing FNN to pay \$800,000 to a company he controlled and of insider trading violations for selling 20,000 shares of stock in the company without disclosing that its publicly reported results were falsified.

The four officers were also accused of supplying the company's auditors with false and misleading documents and otherwise misleading the auditors to perpetuate the financial fraud in 1990.

The company eventually went bankrupt and was taken over by CNBC, another cable company, which is owned by the NBC unit of the General Electric Company.

The complaint against the four FNN officers did not suggest that they or the cable network had misled investors in the financial markets who watched FNN as a source of information about the markets.

Nor does it charge that CNBC was acting on the basis of false financial information when it bought the Financial News Network in 1991 for \$145 million cash and \$9 million in debt. By then, FNN had declared a loss of \$72 million for its 1990 fiscal year.

FNN filed for Chapter 11 bankruptcy.

Continued on Page C17

News Analysis

Environmental Protection Agency last week, attacking its claim that secondhand smoke causes cancer, they said that the E.P.A.'s declaration had led to greater restrictions on smoking and, as a result, a drop in cigarette sales.

For that, they asked a Federal District Court in North Carolina to nullify the E.P.A. declaration, made in January, and grant damages to cigarette makers.

But while it may seem logical to conclude that making it more inconvenient for people to smoke causes them to stop or cut back, evidence to support that claim is less than compelling.

"The literature is mixed," said Michael P. Eriksen, director of the Office on Smoking and Health for the Centers for Disease Control and Protection in Atlanta. "Whether people are stopping or switching, total consumption might not be changing. It could be just a change in topography, with more smoking in the morning, at lunch or at home."

For at least two of the plaintiffs, the Philip Morris Companies and the R. J. Reynolds Tobacco Company, the lawsuit might include no more critical point: As the leading cigarette makers in the world, they accounted for more than 70 percent of sales last year in a \$45 billion industry.

Yet while overall domestic cigarette consumption has been dropping — on average, more than 2 percent a year since 1982 — industry experts have pointed to a variety of causes besides the E.P.A. pronouncement, including vigorous antismoking campaigns by health advocacy groups and steadily rising Federal and state tobacco taxes.

Industry officials especially fear a proposed increase in the Federal cigarette tax, now 24 cents a pack, as part of a new national health-care

In its annual report to Congress, the Office of the Surgeon General reports cigarette smoking increases the risk of cancer and other illnesses.

1986

The National Academy of Sciences' National Research Council reports exposure to secondhand smoke increases the risk of lung cancer in nonsmokers and causes respiratory illness in children of parents who smoke.

1986

The Surgeon General reports secondhand smoke causes lung cancer in healthy nonsmokers and that the simple separation of smokers and nonsmokers does not eliminate exposure of nonsmokers to secondhand smoke.

1991

The National Institute for Occupational Safety and Health determines secondhand smoke to be a potential occupational carcinogen.

1993

The Environmental Protection Agency declares secondhand smoke a carcinogen, responsible for approximately 3,000 deaths a year among nonsmokers.

plan. By some estimates, the tax could increase to as much as \$2.24, which would nearly double the cost of a pack. Economists familiar with the dynamics of the tobacco industry say that even by conservative estimates, for every 10 percent increase in the cost of cigarettes, consumption declines by 3 percent.

Impact of E.P.A. Action Unclear

It remains unclear to what degree, if any, that ratio has been affected by the E.P.A. declaration — or any of several other major reports that reached the same conclusion years before.

Certainly, the impact of the E.P.A. conclusion has carried at least implicitly the weight of a regulatory decision, generating a variety of

more aggressive anti-tobacco measures, including these:

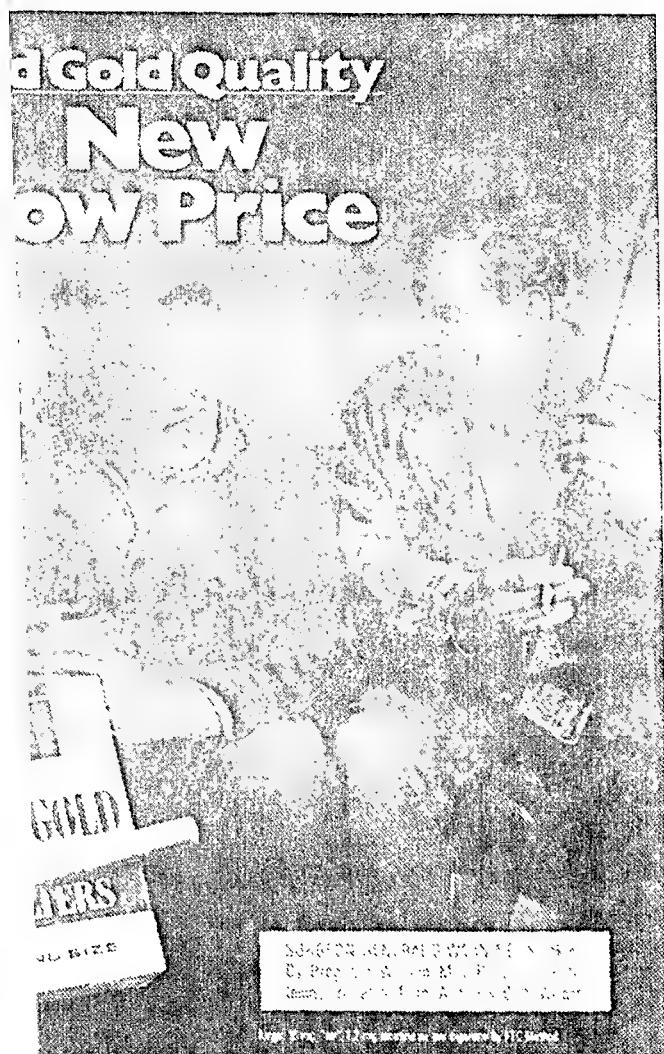
Since June 13, all Postal Service facilities mandated smoke-free.

Several major airports, including Dallas-Fort Worth, L.A. and National Airport, have banned smoking.

The city of Los Angeles became the largest in the nation to ban smoking in restaurants that goes into effect this month. The ban would exempt only bars, dance halls and restaurants with designated seating areas.

The Pennsylvania legislature is considering a bill that

Continued on P



Lorillard Inc.

has begun a campaign to try to revive Old Gold, a that dates to 1926, with a series of print advertisements.

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Advertising in New
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watch market. He
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a very happy rela-
R, but they have to

said that six final-
five other shops —
l by the end of next
l to make presenta-
r covering Seiko
cks and Lasalle

watches. He added that a final deci-
sion is expected by Nov. 1

Grey Wins Review For Spirits Brands

United Distillers North America of Stamford, Conn., said last week that it had named Grey Advertising Inc. in New York as agency of record for its consolidated magazine print-buying assignment, which involves buying advertising space in excess of \$20 million annually for spirits brands like Dewar's, Gordon's, Johnnie Walker and Tanqueray. Grey, which also handles the creative portion of the Gordon's account, was awarded the assignment after a review that included Leo Burnett U.S.A. of Chicago, DeWitt Media of New York and SEM Media of New York.

'Dow Jones Quits a Venture To Start Mexico City Paper

Continued From First Business Page

and use information from Dow Jones or El Norte's own electronic financial news network, Infotel.

Executives at both newspapers said the aborted joint venture, which has been talked about here since October, would have given The Journal a 49 percent stake.

Unraveling Over Control

The deal started to unravel a few months ago when lawyers for Dow Jones raised objections about control and the future leadership of El Norte, a newspaper based in the northern city of Monterrey.

Dow Jones was concerned about the succession in leadership if something should happen to Mr. Junco de la Vega, who is 44, and if the need should arise, to approve his successor. Dow Jones also demanded that in the case of a disagreement, there should be an internal auction in which either partner would have the right to buy stock and, presumably, take control of the new entity.

The Mexicans rejected the demands. "There's no way we could have competed with such a large organization if it ever came to that," Mr. Junco de la Vega said in an interview here. He also questioned why his company should "create a

national cathedral of journalism, a national source of pride, only to hand it over to someone else."

In raising such objections, Mr. Junco de la Vega touched on issues of control and trust that have strained relations between Mexican and American companies, even as the economies of both nations have moved closer under reforms by the administration of President Carlos Salinas de Gortari. "This country has had 500 years of xenophobia and don't think that five years of President Salinas can change that," Mr. Junco de la Vega said.

Roger B. May, a spokesman for Dow Jones, declined to comment on the specifics of the negotiations but he confirmed that the joint publishing venture was dead. "There isn't going to be a newspaper," he said. "But we're still talking to these people about various things."

El Norte has a combined daily circulation in both morning and afternoon editions of about 250,000 readers, mostly in northern Mexico. Mr. Junco de la Vega said

The new project represents a major investment for El Norte. Mr. Junco de la Vega said his company was spending about \$50 million. To turn a profit, Mr. Junco de la Vega said he needed to sell only 45,000 copies a day because many costs would be shared by the main office in Monterrey.

S.E.C. Accuses 4 of Fraud At Financial News Network

Continued From First Business Page

cy protection in March 1991, and over the next few months was up for purchase in a hotly contested bidding war between Dow Jones & Company, which owns The Wall Street Journal and other properties, and CNBC.

The officers who were accused of offenses in the years before the bankruptcy were Mr. Bolen, FNN's executive vice president and chief financial officer until he was placed on a leave of absence in July 1990; Earl W. Brian, FNN's chairman and chief executive; Gary A. Prince, the chief financial officer of United Press International until he succeeded Mr. Bolen at FNN; and Mitchell H. Young, FNN's controller until he was placed on a leave of absence in August 1990.

Mr. Brian, without admitting the allegations, has agreed to a consent order enjoining him from future violations of securities rules, the S.E.C. said. Mr. Brian was an official under

Ronald Reagan when he was Governor of California; he is now an independent consultant and venture capitalist.

In addition to injunctions against all the defendants, the commission is seeking to force Mr. Bolen to give back profits gained from the dealings that supposedly involved insider trading, to make him pay interest and a penalty, and to prohibit him from serving as an officer or director of any publicly traded company.

Reports Are Questioned

The commission said that by manipulating its financial records, FNN overstated its 1989 revenue by 17 percent and its pretax operating profit by 96 percent, while understating the loss from discontinued operations by 46 percent.

In the first three quarters of 1990, the company's pretax income was reported to be several times as high as it actually was, the S.E.C. said.

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 7/12/93

From : SA [REDACTED]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;

b6
b7C

[REDACTED]

FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

SA [REDACTED] has been instructed by SSA [REDACTED] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date.

b6
b7C

- (2) - 29B-LA-115702
- 1 - 29E-LA-15368
- 1 - 29E-LA-15525
- 1 - 29B-LA-16160
- 1 - 29B-LA-16179
- 1 - 29D-LA-16220
- 1 - 29E-LA-16235
- 1 - 29H-LA-16276
- 1 - 29C-LA-108008
- 1 - 29B-LA-147819

[REDACTED]
(11) [REDACTED]

(X)
29B-LA-115702-177
[REDACTED] [REDACTED]
b6
b7C

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 7/16/93

FM FBI LOS ANGELES (29B-LA-115702) (P)

TO FBI BALTIMORE/ROUTINE/

FBI WMFO/ROUTINE/

BT

UNCLAS

CITE: //3410:WCC-1//

SUBJECT: EARL W. BRIAN, CHIEF EXECUTIVE OFFICER; [REDACTED]

[REDACTED] FINANCIAL NEWS

NETWORK, INC., INFOTECHNOLOGY, INC., CUSTOMER, SECURITY
 PACIFIC NATIONAL BANK, LOS ANGELES, CALIFORNIA, FIF, OO: LOS
 ANGELES.

RE TELCALLS TO [REDACTED] SILVER SPRING RA, ON JULY
 15, 1993, AND [REDACTED] WMFO, ON JULY 15, 1993.

FOR INFORMATION OF BALTIMORE AND WMFO, OFFICIALS OF
 SECURITY PACIFIC NATIONAL BANK (SPNB) ADVISED THAT TELEVISION

SEARCHED

INDEXED

SERIALIZED

FILED

Approved: CP [REDACTED]

Original filename: [REDACTED] 002W.197

Time Received: [REDACTED]

Telprep filename: [REDACTED] 00250.197

MRI/JULIAN DATE: 1721/197ISN: 031FOX DATE & TIME OF ACCEPTANCE: 7-16-93 2051 [REDACTED]b6
b7Cb6
b7C

^PAGE 2 (29B-LA-115702) UNCLAS

CABLE COMPANY, FINANCIAL NEWS NETWORK (FNN) WAS EXPERIENCING SEVERE FINANCIAL DIFFICULTIES PRIOR TO DECLARING BANKRUPTCY IN 1991. IN PARTICULAR, FNN COULD NOT MEETS ITS DEBT OBLIGATIONS ON MORE THAN \$70 MILLION IN LINES OF CREDIT TO SPNB AND TORONTO DOMINION BANK.

INVESTIGATION TO DATE HAS DETERMINE THAT THE FNN FINANCIAL STATEMENTS SUBMITTED TO SUPPORT THE APPROVAL AND FUNDING OF THE BANK LINES OF CREDIT CONTAINED SUBSTANTIAL INFLATED AND FICTITIOUS FIGURES, IN PARTICULAR, ACCOUNTS RECEIVABLE, FIXED ASSETS AND LEASE COMMITMENTS.

[REDACTED] FNN, HAS AGREED TO PLEAD GUILTY TO A ONE COUNT INFORMATION CHARGING HIM WITH CONSPIRACY TO COMMIT BANK FRAUD AND SECURITIES FRAUD. [REDACTED] HAS IDENTIFIED OTHER FNN OFFICIALS AND FNN AFFILIATED OFFICIALS THAT CONTRIBUTED IN THE PREPARATION OF THE INFLATED FNN FINANCIAL STATEMENTS.

b6
b7c

AUSA [REDACTED] HAS REQUESTED THAT SA [REDACTED] [REDACTED] FBI, [REDACTED] AUDITOR, USA'S OFFICE, TRAVEL TO CHEVY CHASE, MARYLAND; WASHINGTON, D.C.; AND ALEXANDRIA, VIRGINIA, TO CONDUCT CRUCIAL WITNESS INTERVIEWS INCLUDING AN

^PAGE 3 (29B-LA-115702) UNCLAS

INTERVIEW WITH [REDACTED] OF THE SECURITIES AND EXCHANGE
COMMISSION (SEC).

b6
b7C

TRAVEL ARRANGEMENTS HAVE BEEN MADE FOR SA [REDACTED] TO TRAVEL
TO WASHINGTON, D.C. ON MONDAY, JULY 19, 1993, AND CONDUCT
INTERVIEWS THROUGH WEDNESDAY, JULY 21, 1993. SA [REDACTED] WILL
RETURN TO LOS ANGELES ON THURSDAY, JULY 22, 1993. NO
ASSISTANCE FROM FBI, BALTIMORE OR FBI, WMFO IS ANTICIPATED AS
BEING NECESSARY.

SAC'S, LOS ANGELES, BALTIMORE AND WMFO CONCUR WITH THIS
TRAVEL.

BT

Memorandum




To : SAC, LOS ANGELES (29B-LA-115702)
(WCC-1) (P)

Date 7/14/93

From : SA 

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER;


b6
b7C



FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC.,
CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

Officials of SECURITY PACIFIC NATIONAL BANK (SPNB) advised that TELEVISION CABLE COMPANY, FINANCIAL NEWS NETWORK (FNN) was experiencing severe financial difficulties prior to declaring bankruptcy in 1991. In particular, FNN could not meet its debt obligations on more than \$70 million in lines of credit to SPNB and TORONTO DOMINION BANK.

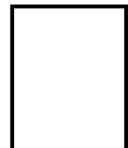
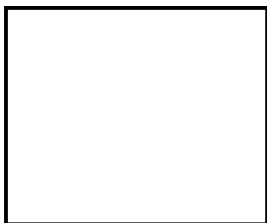
Investigation to date has determined that the FNN financial statements submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets and lease commitments.

b6
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*Recommend
Approval*


29B-LA-115702-179


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29B-LA-115702

AUSA [REDACTED]

[REDACTED]

Arrangements have been made for SA [REDACTED] to travel to [REDACTED]

b5
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[REDACTED] SA [REDACTED] will return on Thursday, 7/25/93.

[REDACTED] It is also requested that authorization be given to SA [REDACTED] for the rental of an automobile since no Bureau car will be available.

[redacted] 115702

The following investigation was conducted by SA [redacted] on July 20, 1993:

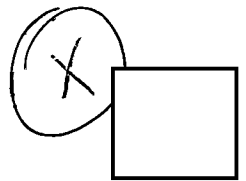
b6
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AT FAIRFAX, VIRGINIA

An attempt was made to contact [redacted] [redacted] Corporate Relations and Strategic Planning, HADRON, INC. at 9990 Lee Highway, telephone [redacted] but met with negative results. [redacted] was present, but advised she needed to speak to an attorney and would contact SA [redacted] after an attorney had been retained.

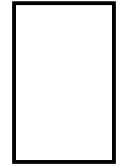
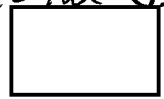
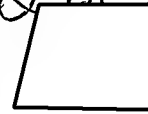
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An attempt was made to contact [redacted] HADRON, INC., 9990 Lee Highway, but met with negative results. SA [redacted] left a business card with [redacted] secretary asking [redacted] to contact SA [redacted] in Los Angeles at his earliest convenience.



29B-4-115702-180

29B-1A-115702-181



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E&P

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July 10, 1993

SEC Accuses Former UPI Chief of Fraud

Earl Brian is among four named in a complaint that alleges they fraudulently inflated revenue and earnings figures at FNN

by Debra Gersh

IN 1991, WHEN United Press International filed for bankruptcy, there were a lot of unanswered questions about certain lease agreements with then-sister company Financial News Network.

Now the Securities and Exchange Commission seems to have come up with what it believes is the answer — they were bogus.

Four former FNN executives — including Earl W. Brian, former UPI chief executive officer and head of Infotechnology Inc. — are the subject of a 60-page civil complaint filed by the SEC in Washington.

Named in the complaint are C. Stephen Bolen, former executive vice president and chief financial officer for FNN, who was placed on leave of absence from the company in July 1990; Gary A. Prince, UPI chief financial officer until July 1990 when he succeeded Bolen at FNN; Mitchel H. Young, FNN controller who was placed on leave of absence in August 1990; and Brian, FNN chairman and chief executive officer, Infotech chairman, president and CEO; UPI chairman and CEO, and a director of Hadron.

The complaint charges that the four engaged in the fraudulent inflation of revenues and earnings for fiscal 1989 and the first three quarters of 1990 as well as a scheme to cover up and perpetuate that fraud.

The overstated revenues allegedly came from the false sale/leaseback of equipment to UPI and Institutional Research Network Inc., both FNN-related companies, and an elaborate plan to convince auditors that the equipment supposedly being leased actually existed.

Essentially, the complaint says in part, FNN equipment was given to UPI and IRN, which then sold it to a leasing company through an intermediary vendor, Telecommunications Industries.

The leasing company then leased the equipment to FNN or Data Broadcasting. So, in effect, FNN was leasing its own equipment.

Then, the complaint charges, UPI and IRN would use the money from the lease company to enter into licensing agreements with FNN. FNN, in turn, would account for that money — its own — as revenue from UPI and IRN.

Between December 1987 and September 1990, according to the complaint, Telecommunications Industries

attempting to pass off that equipment to the auditors as equipment that had either been acquired from UPI or possessed by FNN for some time."

According to the SEC complaint, for fiscal 1989, FNN total revenues were overstated by about 17%, pretax income from continuing operations by 96%, total current assets by 24.5% and total assets by 8%. Losses from discontinued operations were understated by about 46%.

For the first quarter of 1990, the SEC alleges that FNN's revenues were overstated by about 42.5% and pretax income by 382%. In the second quarter 1990, revenues were overstated by about 40% and pretax income by 421%. For the third quarter 1990, revenues allegedly were overstated by

The overstated revenues allegedly came from the false sale/leaseback of equipment to UPI and Institutional Research Network Inc., both FNN-related companies.

received about \$54 million in sale proceeds from the leasing companies, with about \$38 million going to UPI.

Of the \$38 million it received from the sale/leaseback agreement, UPI remitted \$21.5 million to FNN as payments for this licensing agreement and used the rest for operations.

"In addition," according to the complaint, "Brian and Prince attempted to conceal the fraudulent equipment sale/leaseback transactions from the auditors, by causing FNN and affiliated companies to purchase similar equipment during the 1990 audit and then

44% and pretax income by 483%.

In addition, the complaint charges that Bolen authorized FNN to pay about \$800,000 to a company he secretly controlled and that he engaged in insider trading by selling 20,000 FNN shares at \$9 per share while withholding information about the true financial state of the company.

When news of FNN's financial difficulties finally came out, its stock value plummeted.

Disagreements about the fiscal 1990 figures led to the resignation in October 1990 of FNN's independent audi-

tor, Deloitte & Touche, which also withdrew its opinions on FNN financial statements for the year ended June 30, 1989, as well as for Infotechnology for the same period and for UPI, for the period ended Dec. 31, 1989 (E&P, Oct. 20, 1990, P. 10).

Bolen was fired and Brian was soon replaced as head of FNN and Infotech.

By the end of November 1990, FNN reported that it anticipated a net loss of \$72.5 million for 1990, a significant change from the "positive trend in both revenues and earnings" it had been reporting, according to the complaint.

By March 1991, both FNN and Infotech filed for Chapter 11 bankruptcy protection, and UPI followed suit in August 1991 (E&P, Aug. 31, 1991, P. 14).

In response to the complaint, Brian has "agreed to consent, without admitting or denying the allegations in the complaint," to entry of a final judgment of permanent injunction enjoining him from future violations of SEC regulations.

Prince's attorney, F. Joseph Warin of the Kutak Rock law firm in Washington, said his client plans to fight the charges and his response brief will be filed at the end of July or early August.

"We think the SEC overlooked and overreached," said Warin, adding that Prince was "not a director or officer of FNN for 98% of the time" covered in the complaint.

Warin noted that Deloitte had approved the UPI audit but later withdrew because FNN had signed off on the financial statements.



Earl Brian

took control of the wire service in 1988.

"Pursuant to this agreement," according to the SEC, "FNN, through its subsidiary, Data Broadcasting, leased to UPI a portion of its vertical blanking interval [VBI], which is that portion of a television signal that is not needed for visual images."

FNN recorded revenues from UPI for this VBI agreement totaling \$27.3 million for the fiscal years 1988-1990, "but UPI never actually used the VBI

materially into thirds to derive 'monthly' amounts that they posted to FNN's general ledger."

These payments by UPI to FNN for the VBI — "as well as much of UPI's other cash needs" — were made possible by the allegedly fraudulent sale/leaseback agreements.

"Without the funds that it received from FNN in this way, UPI would not have been able to pay the amounts that FNN recorded as VBI revenue," according to the SEC.

"In substance, FNN was making unsecured loans to UPI in order to enable UPI to pay the VBI charges, which FNN then recorded as revenue."

The complaint also details the allegedly fraudulent agreement between FNN and IRN over FNN:PRO, an online information service launched in July 1990 and suspended a few months later.

During that time, however, FNN allegedly recorded revenues from IRN totaling more than \$21 million, revenue that "was not reasonably collectible. IRN's existing operations generated less than \$3 million in total revenues during fiscal 1990, and FNN:PRO was not expected to generate any significant revenues until later years."

"The only possible source of payment in the near term was from financing provided by FNN itself, and in fact the only payments that FNN received from IRN (\$5.5 million during the first quarter of fiscal 1991) consisted entirely of funds generated by FNN from sale/leaseback transactions," the complaint alleges.

The SEC also charged that when FNN discontinued its "Telshop" home shopping service in 1989, it avoided writing off an additional \$3 million of net book value of Telshop assets, maintaining that the equipment could be used by its other operations.

Documents purporting to show that a leasing company had paid about \$3 million for the equipment in a sale/leaseback agreement were "fabricated," according to the complaint.

For fiscal 1989, FNN's net income was \$3 million. Had it written off the full net book value of that Telshop equipment, "it would have completely eliminated net income for the year."

The complaint alleges that the sale/leaseback agreements became an issue during the UPI audit for the year ended Dec. 31, 1989, when "Bolen and Young obstructed Deloitte's efforts to

"In addition," according to the complaint, "Brian and Prince attempted to conceal the fraudulent equipment sale/leaseback transactions from the auditors."

Attempts to reach Bolen and Young were unsuccessful. Bolen is listed in the SEC complaint as a resident of Los Angeles, but directory assistance showed no listing there. Young is listed as a resident of Marina del Rey, Calif., but the only listing was for an M. Young, whose name is Mark, not Mitchel, who said he had never worked for FNN.

The first cause of action cited by the SEC involves a licensing and distribution agreement between Infotech and UPI, entered into soon after Infotech

for its communications and little of the billed development work was ever performed," the complaint alleges.

The SEC complaint continues: "At the end of each fiscal period, after reviewing preliminary income statements that excluded related party revenues and consulting with Prince, Bolen told Young how much revenue, in round numbers, to record from UPI . . . Young and a subordinate changed Bolen's round numbers to seemingly precise figures, often including cents, and then divided these figures approxi-

perform the special support procedure for the UPI audit."

According to the SEC, Bolen convinced Deloitte auditors to postpone physical inspection of equipment until the FNN audit later in 1990.

During the FNN audit, auditors from Deloitte "immediately requested the equipment schedules from the sale/leaseback transactions."

The audit senior noticed that "many of the schedules, from unrelated transactions with various leasing companies, were identical except for the equipment serial numbers, which often differed by only one or two digits. He also noted that on some of the similar schedules, the sequential serial numbers for quantities of equipment overlapped."

The Deloitte auditor also was told by a "subordinate of Bolen and Young that multiple sales and leasebacks of the same equipment had occurred."

Bolen and Young allegedly were able to stall the auditors, and used that delay "to fabricate" a list of full serial numbers, the SEC alleges.

Deloitte auditors took that list and prepared another list of equipment chosen for physical inspection.

It was some two months before auditors were allowed to inspect any of the equipment.

"In fact, during this time Bolen and

These purchases were allegedly paid for by IRN and UPI accounts controlled by Prince, using proceeds from the FNN sale/leaseback deals.

Deloitte inspectors were able to locate less than half the equipment slated for observation, but Brian and Prince allegedly "caused FNN and related companies to continue the purchases, having large quantities of equipment shipped to an FNN facility in New York and to UPI facilities in Washington, D.C., and Warwick, R.I., among other destinations."

Brian and Prince allegedly blamed the auditor's findings on "shoddy clerical work" and claimed there were a number of "subsequent finds," which the SEC charges were actually purchased during the audit.

In addition to charging a coverup of the source of the sale/leaseback equipment and subsequent false revenue accounting, the SEC complaint also pointed out that in 1989, FNN entered into a \$50 million loan agreement with Security Pacific Bank and Toronto-Dominion Bank that prohibited FNN from incurring lease-operating expenses for fiscal 1990 that exceeded fiscal 1989 by more than \$3 million.

To hide these agreements from the auditors, Bolen directed a corporation to be chartered in the British Virgin Islands, called MicroResearch Industries

at [redacted] and on weekends to avoid detection and even went so far as to fabricate a letterhead for one leasing company, creating phony invoices, and allegedly deleted another from the books completely.

The SEC complaint lists in far greater detail the specifics of each complaint as well as the particular SEC and general accounting violations allegedly committed by Bolen, Brian, Prince and Young.

The SEC is seeking permanent injunctions against all the defendants. It also is seeking to force Bolen to "disgorge all of his illicit profits and losses avoided" and pay penalties under provisions of the Insider Trading Sanctions Act of 1984. It also seeks a court order prohibiting him from serving as a director or officer of any publicly traded company. ■E&P

Canadian judge bans U.S. media from trial

by Alan Harman

A CANADIAN JUDGE banned American reporters from his St. Catharines, Ont., courtroom while allowing their Canadian counterparts to attend the manslaughter trial of the wife of a man charged with first-degree murder in the sex slayings of two schoolgirls.

He also banned members of the public to make sure they did not give information to the U.S. media. Members of the victims' immediate families were permitted to attend.

About a dozen U.S. reporters attempted to cover the trial.

The Canadian reporters were told they could not report anything but the judge's verdict; any sentence against Karla Teale, 23; and any comments he made about whether she posed a threat to the community. They were even barred from reporting her plea.

The Canadian reporters were also barred by Justice Francis Kovacs from revealing details of the case either directly or indirectly to the American media.

Kovacs said the ban was needed to ensure that Paul Teale will have a fair trial. Paul Teale, who changed his sur-

In response to the complaint, Brian has "agreed to consent, without admitting or denying the allegations in the complaint," to entry of a final judgment of permanent injunction enjoining him from future violations of SEC regulations.

Young caused FNN staff members to order new inventory tags with the Micro Research Industries [one of the leasing companies] logo, type in serial numbers from the list of selected equipment prepared by Deloitte and apply them to similar equipment at FNN's Los Angeles facility."

The complaint further charges that in order to conceal the allegedly fraudulent sale/leaseback deals, Brian and Young caused FNN to purchase television equipment that closely matched items subject to multiple financing and then tried to convince the auditors that the equipment had been acquired from UPI.

Ltd., to specifically resemble the division of Telecommunications Industries with the same name.

Starting in March 1990, about \$17 million in proceeds from sale/leaseback deals were deposited in bank accounts for the British Virgin Islands corporation, although none of those transactions were disclosed to Deloitte auditors.

To further cover up the lease agreement violations of the Security Pacific loan covenant, the complaint alleges that Bolen directed Young to alter the FNN general ledger to reclassify payments to three companies.

The changes reportedly were made

INSLAW, Inc.
1125 15th Street, NW
Washington, DC 20005-2707
TEL: (202) 828-8600 FAX: (202) 659-0755

PLEASE DELIVER AS SOON AS POSSIBLE

To:

Fax Number:

818-901-7253

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From:

Date:

July 13, 1993

Following is a copy of pages 53 - 61 of our analysis and rebuttal memorandum.

This transmission consists of 10 pages, including cover sheet. For transmission problems, please call INSLAW at (202) 828-8600, or call the sender at 828-8655.

The information contained in this facsimile message is information intended only for the use of the individual or entity named above or the designee. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or duplication of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone and return the original message to us at the above address via U.S. Postal Service. Thank you for your cooperation.

The memo is embargoed until this Thursday, so no part of it may be published before that time.

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reliance on [redacted] ability to know about such classified activities would, therefore, appear to be misplaced.

[redacted] quotes [redacted] of the Wackenhut-Cabazon Joint Venture, as being "emphatic that [redacted] allegations concerning PROMIS are fabricated" "and that he had never heard of Earl Brian or any of his companies prior to [redacted] allegations." Although [redacted] details [redacted] criminal history, he fails to mention that [redacted] was incarcerated in the mid-1980's following a conviction for contracting with professional "hit men" for a number of assassinations. The disclosure of such information is relevant for anyone trying to determine how much weight to give to [redacted] statements. Moreover, [redacted] apparently did not place [redacted] before the grand jury or even under oath.

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[redacted] states that Brian's presence at the September 10, 1981 weapons demonstration, as reported in the September 1992 Investigative Report of the House Judiciary Committee, "would be significant" because Brian "has steadfastly denied having been to the Cabazon reservation, or ever having met [redacted] or any one affiliated with the Cabazons."

The Indio Police Department conducted surveillance of the September 10, 1981 weapons demonstration and recorded both Earl Brian and [redacted] as attending, with Earl Brian arriving as a passenger in a Rolls Royce automobile driven by [redacted] whom [redacted] describes as a real estate developer. [redacted] reports that [redacted] claims that Earl Brian was not present with him on September 10, 1981. [redacted] character and integrity are, however, currently under challenge by the United States Government. [redacted] was indicted for insurance fraud by the U.S. Attorney's Office in Rhode Island in June 1993.^{23/} Moreover, [redacted] apparently did not place [redacted] before the grand jury or even under oath.

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[redacted] also credits Earl Brian's denial that he was at the September 10, 1981 weapons demonstration in Indio, California, and notes that Brian's denial is supported by various documents, including Brian's personal calendar and expense records purporting to show Earl Brian as being on the East Coast of the United States on the day in question. [redacted] further notes that the notations on some of these documents were made by one of Brian's subordinates.

Earl Brian's veracity and the reliability of documents furnished by Earl Brian are open to question, however, as the result of Brian's decision not to contest a civil lawsuit filed by the U.S. Securities and Exchange Commission (SEC) on June 28, 1993 against Earl W. Brian and several former subordinates at Financial News Network (FNN). In a 60-page civil complaint filed in U.S. District Court for the District of Columbia, the SEC charged Brian with securities fraud, with causing the creation of fraudulent documents, with executing and backdating fraudulent documents, with directing a subordinate to execute a fraudulent and backdated document, and with making materially false or misleading statements. Brian settled his part of the SEC lawsuit the very day it was filed by agreeing to be bound by a permanent injunction not

^{23/} See *The United States of America vs.* [redacted]

[redacted] filed in the District Court of the United States for the District of Rhode Island concerning the violation of Title 18, U.S.C., Sections 371, 1343, 2314, and 2.

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to commit securities fraud in the future, and not to make or cause others to make a materially false or misleading statement in the future.

[] determined that [] is not to be believed, but that Earl Brian and [] are "credible witnesses, both in their demeanor and in the substance of their statements."

In reaching that conclusion, [] apparently did not speak to [] INSLAW, however, not only spoke to [] but also obtained from her a copy of a sworn statement she gave recently to the U.S. Customs Service Internal Affairs investigators who were interviewing [] about [] left DOJ in September 1990 to become [] at the U.S. Customs Service.

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In her sworn statement, [] describes a file at FNN Headquarters that contained copies of correspondence to and from [] of Earl Brian's Hadron, Inc., relating to the PROMIS software and INSLAW, Inc. [] also claims personally to have taken telephone messages at FNN Headquarters from [] during the first quarter of 1987. That is the quarter when INSLAW filed a pleading in U.S. Bankruptcy Court for the District of Columbia concerning the covert DOJ effort in 1985 to force INSLAW into Chapter 7 liquidation.

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(b) []

Section III.B.2., [] Investigation of the Alleged International Distribution of INSLAW's PROMIS, contains a detailed analysis of [] statements about []

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As noted earlier, Brian's acceptance on Monday, June 28, 1993 in U.S. District Court for the District of Columbia of the permanent injunction sought by the U.S. Securities and Exchange Commission (SEC) not to engage in securities fraud in the future, raises valid questions about the veracity and integrity of Earl Brian, one of the witnesses upon whom [] relied.

Although [] detailed [] criminal record, he failed to mention that the other witness upon whom he relied in dismissing [] claims, Robert McFarlane, also has a federal criminal record, arising from his conduct in the Iran/Contra affair as National Security Advisor to the President of the United States. McFarlane's conviction was for lying.

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(c)

The [] Report contains several redacted pages relating to the grand jury testimony of []

INSLAW, of course, has no way of knowing what [] said or did not say before [] grand jury, but [] executed an affidavit on November 30, 1992 []

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(d)

[] apparently did not bring before the grand jury or even interview [] who provided an affidavit to INSLAW on March 22, 1991, concerning a PROMIS software sales presentation by Earl W. Brian and [] to the Government of Iraq during 1987. In his affidavit, [] also claims that [] assisted Earl Brian in completing the sale of the PROMIS software to Iraq "for use primarily in intelligence services, and secondarily in police and law enforcement agencies."

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INSLAW furnished a copy of this affidavit to [] in January 1992, but [] apparently never interrogated [] named by both [] as a Brian colleague during PROMIS marketing forays abroad; or []

2. [] Investigation of the Claimed
Circumstantial Evidence of a Conspiracy

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(a) The September 1983 Fund raising Trip to New York City
by Earl Brian, []

[] quotes from [] December 1989 affidavit about Earl Brian, Hadron [] and Hadron [] gathering in New York City in September 1983 to raise equity capital from the Wall Street Investment Bank, Allen and Company. In his affidavit, [] quotes [] as stating that the equity capital was to finance Hadron's expansion in criminal justice information systems. In his affidavit, [] also quotes [] as stating that the purpose of the trip was "to raise capital to buy the court software."

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[] quotes [] as stating that "she does not believe she ever told [] that the purpose of the 1983 fund raising trip was to raise capital to obtain PROMIS or

INSLAW." (Emphasis added.) [] was apparently not placed under oath, and she was also apparently asked to confirm a statement that is different from the one that [] claims that [] made.

[] states that [] insisted the equity capital was intended to be used by Simcon, Hadron's police information systems subsidiary in 1983. [] also claims that [] essentially confirmed what [] told us." What [] had told INSLAW, however, is that he was shocked to discover that [] was seeking to raise \$7 million in equity capital for criminal justice information systems because Simcon could only use \$2 million. [] told INSLAW that he never was told how the other \$5 million was going to be used.

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[] also told INSLAW that during the September 1983 fund raising visit to Allen and Company, he and [] not only met with [] but also met with [] of Allen and Company. [] told INSLAW that at the time of the 1983 visit, Allen and Company owned about \$5 million of Hadron's common stock.

[] apparently did not subpoena records of Allen and Company about the Hadron fund raising effort in 1983, and did not interview []. What [] did do is have a trans-Atlantic telephone interview with []. [] claims that he could not even remember the name of the company seeking the funds. With a \$5 million equity investment in Hadron, [] presumably, would have been able to remember the name of the company and possibly important details concerning the intended use of the proceeds. With such a substantial investment in Hadron in 1983, Allen and Company may also have had documents relating to Hadron's planned expansion in criminal justice information systems that could explain the \$5 million for which [] cannot account.

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(b) The 53rd Street Ventures Connection

(1) [] Alleged Claims About Earl Brian

On Thursday, May 5, 1988, the *CBS Evening News with Dan Rather* broadcast an unusually long, approximately seven minute, segment on the INSLAW affair, highlighting the alleged role of Earl W. Brian in the DOJ theft of the PROMIS software.

The annual meeting of the National Association of Venture Capitalists was at that very time taking place in Washington, DC, and both [] were in attendance. [] in Hambro Venture Capital, then the lead venture capital investor in INSLAW. [] controlled 53rd Street Ventures, which also then had an equity investment in INSLAW. [] also had by this time become [] of Alan Patricoff and Associates, a very large venture capital firm in New York City that had controlled 53rd Street Ventures until 1984, when [] took it over.

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On Friday, May 6, 1988, [] visited [] at INSLAW's offices in Washington and told him that he had seen [] at the venture capitalists conference and had mentioned to her the previous evening's telecast on INSLAW and the alleged

role of a venture capitalist by the name of Earl Brian. According to [redacted] responded by stating, in words or substance, that she "knew all about Earl Brian's role in the INSLAW case."

According to [redacted] desk calendar for Tuesday, May 10, 1988 [redacted] telephoned [redacted] at Alan Patricoff and Associates. Without disclosing to her that [redacted] had recounted his conversation with [redacted] asked whether Earl Brian or his InfoTechnology, Inc., venture capital firm had ever done any deals with Alan Patricoff and Associates or 53rd Street Ventures through early 1984 when Patricoff and Associates managed 53rd Street Ventures. [redacted] claimed not to know and did not commit to try to find out when [redacted] asked that she do so. [redacted] did tell [redacted] about the alleged role of venture capitalist Earl Brian as a partner in the DOJ corruption against INSLAW, and [redacted] did not disclose to [redacted] that she knows Earl Brian and, in fact, had served on a board of directors with him during the 1980's, disclosures that [redacted] made to [redacted]

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In his December 1989 affidavit, [redacted] quotes the statement about Earl Brian that [redacted] allegedly made to [redacted] in May 1988, without providing the aforementioned background details about the CBS Evening News story being telecast while [redacted] each with venture capital investments in INSLAW, were in Washington, DC, for a national conference of venture capitalists.

According to [redacted] denied having had such a conversation in May 1988, and [redacted] denied having told [redacted] about such a conversation.

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[redacted] apparently did not place [redacted] under oath. [redacted] never asked [redacted] for further information, such as some of the contextual details described above, that [redacted] could have used in trying to refresh the recollections of [redacted] or, alternatively, in trying to impeach their testimony. Moreover, [redacted] could have easily verified the CBS telecast on Brian and INSLAW occurring while [redacted] were together in Washington, DC, at a venture capital conference.

Instead of doing such work, however, [redacted] uncritically accepted [redacted] non-sworn denials and then irresponsibly used those denials to support his conclusion that [redacted] sworn representations cannot be relied upon.

[redacted] quotes [redacted] as stating that [redacted] has no knowledge of Earl Brian ..." [redacted] then quotes [redacted] as not only admitting that she knows Earl Brian but also admitting to have served with Earl Brian during the 1980's on the Board of Directors of the National Association of Small Business Investment Companies. 53rd Street Ventures is, in fact, a Small Business Investment Company.

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[redacted] should also have wondered how [redacted] could have correctly associated [redacted] with Earl Brian, when [redacted] professes not to have known of any such association, unless [redacted] highly plausible account of his May 1988 conversation with [redacted] in Washington, DC, is true and accurate.

(2) [redacted] Non-Sworn Denial of [redacted]
Sworn Statement About [redacted] Demanding
Voting Rights to [redacted] Common Stock on
the Eve of INSLAW's Chapter 11 Bankruptcy Filing

In his December 1989 affidavit, [redacted] states that [redacted] appeared at INSLAW in December 1984, just several weeks before INSLAW was finally forced to file for Chapter 11 bankruptcy protection, and gave [redacted] an ultimatum to turn over to [redacted] by the close of business that day the voting rights to [redacted] controlling interest in INSLAW. Otherwise, neither 53rd Street Ventures nor Hambro Venture Capital would even attempt to help INSLAW raise new capital to avoid financial collapse, according to [redacted] sworn statement about [redacted] ultimatum.

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[redacted] reports that [redacted] denied [redacted] sworn testimony, and [redacted] apparently accepts [redacted] non-sworn denial without any further investigation. Someone who cannot remember [redacted] business relationship with Earl Brian may not, however, have the most reliable memory. Moreover, if [redacted] was acting secretly on behalf of Earl Brian when he sought the voting rights of [redacted] controlling interest in INSLAW, he may have violated the Federal Banking Criminal Statute, 18 U.S.C. § 215 because [redacted] was then an officer of a Small Business Investment Company (SBIC). 53rd Street Ventures, as an SBIC, is a "financial institution" as defined in section 103 of the Small Business Investment Act of 1958. Section (2) of 18 U.S.C. § 215 makes it a federal crime for anyone who

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"as an officer, director, employee, agent or attorney of a financial institution, corruptly solicits or demands for the benefit of any person, or corruptly accepts or agrees to accept anything of value from any person, intending to be influenced or rewarded in connection with any business or transaction of such institution;"

It may be unrealistic to expect [redacted] to admit to [redacted] conduct that could arguably expose [redacted] to prosecution under 18 U.S.C. § 215.

(3) [redacted] Investigation of [redacted] Claims About
[redacted] of 53rd Street Ventures

In his December 1989 affidavit, [redacted] recounts a conversation with [redacted] of 53rd Street Ventures. According to [redacted] disclosed to [redacted] in October 1983, a meeting that [redacted] had had in September 1983 in New York City with someone whom [redacted] described at the time as a businessman with ties to the highest level of the Reagan Administration. [redacted] said that the businessman had told 53rd Street Ventures about Hadron's acquisition overture to INSLAW in April 1983; about his absolute determination to gain control of the PROMIS software for use in federal government contracts; about the contract disputes having arisen in INSLAW's contract with DOJ following INSLAW's refusal to sell out to Hadron; and about the fact that those disputes would never be able to be resolved as long as INSLAW refused to let the unnamed businessman use PROMIS for federal government contracts.

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[] describes at length his efforts to find [] He states that he would have liked to have talked with [] but then implies that it is not that important because Earl Brian has already denied being the businessman depicted in the statements attributed to [] and, moreover, [] does not actually quote [] as claiming that the unnamed businessman was Earl Brian.

Earl Brian, [] were in New York City the very same month that [] had the meeting with the unnamed businessman. Brian was, according to the [] Report, on the Board of Directors of the National Association of Small Business Investment Companies. 53rd Street Ventures is a Small Business Investment Company.

Conducting a sworn interrogation of [] under the circumstances, would have been extremely important. If [] were to identify either Earl Brian or [] as the businessman to whom he referred in his October 1983 meeting with [] and if [] would confirm the essence of the statements attributed to him in [] affidavit,^{24/} it would directly tie Earl Brian and Hadron into the DOJ use of contract disputes with INSLAW as leverage to help Hadron wrest control of the PROMIS software.

[] apparently visited New York City in early 1993, [] where he currently lives. With a modest effort, INSLAW was able to discover [] current address and telephone number []



(c) The Systems and Computer Technology, Inc. (SCT) Connection

[] professes not to understand how INSLAW's "allegations about SCT would fit into INSLAW's theory of a Hadron conspiracy." [] further states that "there would be no apparent reason for Brian or Hadron to be attempting to control INSLAW (through SCT) in 1986."

SCT launched a "hostile takeover" bid for INSLAW in May 1986, the very month that DOJ issued its Request for Proposals for the Uniform Office Automation and Case Management Project, code-named Project EAGLE. This was the largest procurement in DOJ history. INSLAW believes that the PROMIS software was intended by DOJ to be the uniform case management software for the Project EAGLE computers.^{25/} INSLAW further believes that Earl

^{24/} As INSLAW informed [] in its January 1992 written submission, the *Washington Business Journal* confirmed the accuracy of [] account in an interview with [] in January 1990.

^{25/} DOJ officials have consistently been less than candid about the relationship between Project EAGLE and case management software in general and the PROMIS case management software in particular. For example, Stephen Colgate, currently the Assistant Attorney General for Administration, during Congressional testimony on March 2, 1989, deflected an inquiry from Congressman Early about the connection between Project EAGLE and (continued...)

Brian's Hadron, Inc. was originally slated to receive the Project EAGLE contract award by DOJ as a sweetheart gift from Brian's long-time friend, then Attorney General Meese. INSLAW believes that Brian and DOJ abandoned the plan to use Hadron as the vehicle for the contract in the fall of 1985, following the failure of the covert DOJ effort to force INSLAW's liquidation.

INSLAW believes that, by January 1986, Brian and DOJ had substituted Tisoft, Inc. as the vehicle for the planned sweetheart Project EAGLE award.^{26/} That month, Tisoft was

^{25/}(...continued)

DOJ's case management system by insisting that Project EAGLE "is a uniform office automation system." One of Colgate's subordinates, however, was more candid in a private August 25, 1989 letter to the General Services Administration (GSA). [redacted] of DOJ's Computer Technology and Telecommunications Staff, informed GSA that DOJ plans to develop a case management software system for implementation on every Project EAGLE computer: "... it will take approximately three years to develop and install the caseload management system for the EAGLE project." Moreover, [redacted] blamed the U.S. Bankruptcy Court's permanent injunction against further unauthorized use of INSLAW's PROMIS software as preventing DOJ from porting PROMIS to the Project EAGLE computers. [redacted] further informed GSA in the letter that DOJ would have to purchase \$4 million worth of new computers from PRIME to continue operating the PROMIS software that U.S. Attorneys' Offices had been operating on older model PRIME computers during the three-year period required for the development of the new Project EAGLE case management software system.

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Another example is the contradiction between DOJ's published answers to the questions from Project EAGLE bidders, on the one hand, and DOJ's statements in federal court in the INSLAW litigation against DOJ, on the other hand. On September 26, 1986, DOJ published to the bidders an unequivocal denial that certain technical requirements mandated in the August 1986 Amendment to the EAGLE Request for Proposals implied an undisclosed DOJ plan to implement the PROMIS software on the EAGLE computers: "The equipment acquired from this solicitation will not be required to run either PROMIS ..." On April 15, 1988, however, DOJ told Senior U.S. District Judge William B. Bryant, Jr. that it had mandated the very same August 1986 technical requirements "so that the EOUSA [Executive Office for U.S. Attorneys] can make PROMIS, which is written in the COBOL language, run on the new [EAGLE] hardware, if it decides to do so."

^{26/} In an investigative report dated November 26, 1991 and entitled *Deficiencies in the Department of Justice Award and Management of Its Project EAGLE ADP Procurement*, the House Judiciary Committee noted the following anomalies:

- DOJ was negligent in keeping vendors other than Tisoft fully informed of material facts;
- DOJ allowed Tisoft to substitute its maintenance subcontractor after the award even though that subcontractor had been a major factor in DOJ's justification for making the award to Tisoft;
- Each vendor, except Tisoft, was challenged on statistics regarding its system's performance;
- DOJ contributed \$200,000 to Tisoft to help finance the settlement of bid protests by other vendors with the provision that the settlement documents be sealed from public view;
- Tisoft agreed to pay up the \$6.1 million to the protesting vendors, depending upon Tisoft's gross revenues during the life cycle of the contract, to help induce those vendors to drop their protests, indicating that Tisoft envisioned earning very substantial profits under the EAGLE contract;

(continued...)

awarded a \$30 million computer systems contract by Meese's Justice Department, and Tisoft also amended its articles of incorporation to permit the sale of common stock to new outside owners who would then have majority control of the company.

[redacted] of Administrative Services at Earl Brian's Financial News Network (FNN), claims that [redacted] of Tisoft, Inc. was also someone who regularly telephoned the chairman's office at Earl Brian's FNN Headquarters in Los Angeles during at least 1987.

INSLAW believes that DOJ encouraged the SCT hostile takeover bid for INSLAW in 1986 in order to preclude INSLAW from seeking redress in the courts for DOJ's 1983 theft of the PROMIS software and to remove INSLAW as an obstacle to the planned award of Project EAGLE to Tisoft and the planned implementation of PROMIS on the Project EAGLE computers.

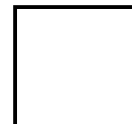
b6
b7C

[redacted] placed quotation marks around the word "hostile" in referring to SCT's effort to purchase INSLAW in early 1986, suggesting that he doubted INSLAW's characterization of the SCT initiative as a "hostile takeover" initiative. Through third-party discovery in 1987, however, INSLAW obtained an internal SCT document prepared in conjunction with SCT's investment bankers in December 1985. That SCT document uses the words "hostile takeover" to describe the then-planned effort to acquire INSLAW.

²⁶(...continued)

- Tisoft paid for at least one golfing outing for a member of DOJ's technical evaluation team during the pendency of the EAGLE procurement;
- One of Tisoft's proposed computer systems failed to support user demand when installed; and
- DOJ officials misused the technology upgrade clause in Tisoft's contract in order to correct weaknesses in Tisoft's bid.

CONFIDENTIAL 182



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Integral Systems officer faces SEC charge

Complaint, for inflated numbers, relates to Gary Prince's tenure at FNN

By DOUG ABRAHMS

Integral Systems Inc. plans to stand behind its chief financial officer, who was hit with allegations of securities fraud this month by the Securities and Exchange Commission for inflating financial figures of UPI.

Gary Prince, an officer and director at Integral Systems, allegedly inflated the revenues and earnings of both UPI and its parent company, Financial News Network Inc. Prince and three others, including politically connected

entrepreneur Earl Brian, conducted bogus sale/leaseback transactions to boost sales numbers and lied to auditors about the financial shape of United Press International and FNN, the SEC said.

Prince was UPI's chief financial officer and became principal financial officer of FNN in July 1990. Prince referred all comments to his lawyer, who could not be reached, and the issue was not raised at the company's shareholder meeting last week.

"I've worked with Gary for 11 years

and have always known him to be competent and moral," said Steve Chamberlain, chief executive of Integral Systems. The company plans no change in Prince's position or status, said Chamberlain, who would not speculate on the outcome from the SEC investigation.

The Lanham company, which provides computer systems for government satellite tracking, earned \$102,000 on sales of \$2.2 million for the first quarter.

"My understanding is that he has done

See PRINCE, page 6

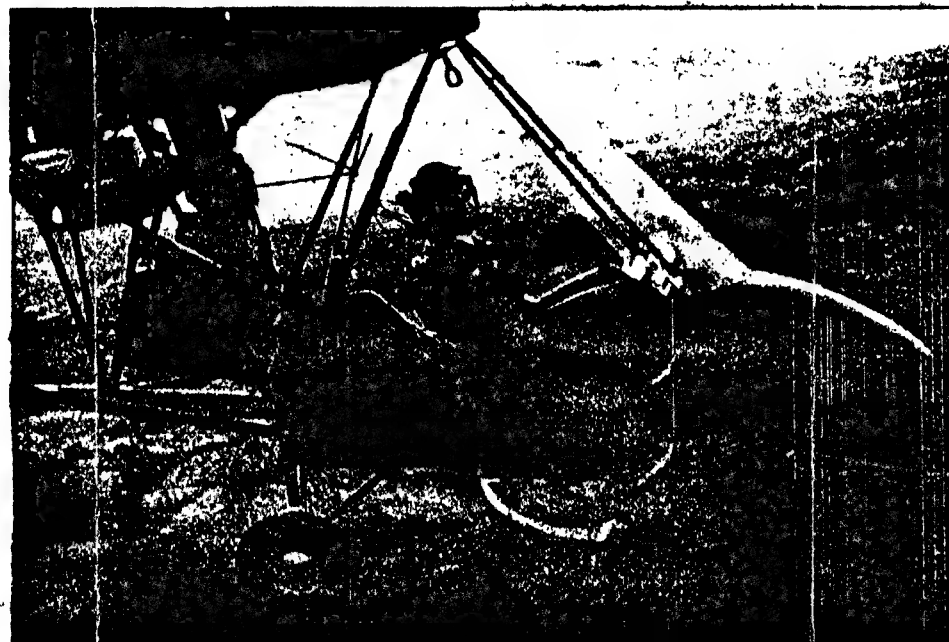
Frisky 'Flipper' splashes water on Choice Hotel ad

The timing probably couldn't be worse for "The Dolphin Experience," a promotional offer being floated by Choice Hotels International:

The Silver Spring-based hotel franchisor last week was proudly spouting off about its resort on Grand Bahama Island, where guests can swim with live dolphins.

Unfortunately, dolphins were also making national news last week when video footage was released of Fonzi, an overly amorous male dolphin who kept a woman swimmer from leaving his pool at Dolphins Plus, a park in the Florida Keys.

A Choice Hotels press release urges guests to "enjoy cavorting with Flipper" at the Quality Atlantik Beach and Golf Resort on Lucaya Beach. "Guests can choose to swim among the friendly mam-



Ultralight: Fun Flight Flying Club members soar s-l-o-w-l-y above Potomac Airfield.

Fun Flight heats high cost of flying

Finding the right
accounting
software
for your business
can be difficult...

Let Our
FREE
Seminar Make
Your Job
Effortless!

COMPARING THE
TOP FIVE
Accounting
Packages
Solomon III
Real World
MAS 90

Y WANTS TO HOST THE #1 TEAM THE COUNTRY.



YOURS.

business colleagues, your church group or the neighborhood to you, they're the #1 team. Now you can reward them with a ed entertainment. Come out to Annapolis for a Navy football VYFEST - the Great Annapolis Tailgate. Thrill to the spectacle arching onto the field. Enjoy the jet flyovers and LEAP FROG ivers dropping into the stadium. It's all set against the icturesque backdrop of historic Annapolis. Groups of 25 or more get in for just \$14 per person (\$16 for Air Force).

So choose the team you want to see and give us a call. We'll help you put all the details together, from tents to catering. Regardless of the outcome of the game, everybody's a winner with Navy Football '93! It's a Blast!

NAVY FOOTBALL '93



CALL 1-800-US4-NAVY
or 268-6060 For Ticket Information.

Prince

continued from page 3

a terrific job at Integral Systems," said Bonnie Wachtel, who sits on Integral's board. "As to the SEC charges, I take the position of innocent until proven guilty."

FNN was owned by Infotechnology, parent of a wide-ranging array of companies including Washington-based UPI and Hadron Inc., a Fairfax government contractor. Infotechnology imploded in 1991, selling off FNN, UPI and its stake in Hadron.

Infotech, which was built on Financial News Network, collapsed when FNN stock nosedived upon news of heavy losses.

Prince seems to be a minor player in the complaint, which alleged FNN exec-

Also snagged in the civil complaint was Brian, who controlled Infotechnology web of companies.

utive Stephan Bolen diverted \$800,000 into a company he controlled and sold \$180,000 in stock when he knew of FNN's fraudulent financial numbers. The SEC is seeking to force Bolen to return nearly \$1 million in illegal profits, along with paying a penalty.

Also snagged in the civil complaint was Brian, who controlled the Infotechnology web of companies. Infotech was a business development company, an SEC designation requiring only limited reporting of financial information.

FNN was a public company that reported its quarterly earnings, but UPI and another Institutional Research Network Inc. — also named in the complaint — were privately owned by Infotech. This made it easier for FNN to inflate its sales figures, and its stock pricing, by overstating the numbers from UPI and Institutional Research.

Brian allegedly tried to cover up and perpetuate FNN's bogus numbers and attempted to hide the sale/leaseback transactions from auditors. Brian consented, without admitting or denying guilt in the allegations, and is enjoined from breaking further SEC rules.

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 18:56

Case ID: 29B-LA-115702 Serial: 182X1

Description of Document:

Type : FD302

Date : 08/24/93

To : LOS ANGELES

From : SA [REDACTED]

Topic: [REDACTED]

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 157

Employee: [REDACTED]

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 18:56

Case ID: 298-LA-115702 Serial: 182X2

Description of Document:

Type : FD302

Date : 08/24/93

To : LOS ANGELES

From : SA [REDACTED]

Topic [REDACTED]

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 158

Employee [REDACTED]

b6
b7c

SEP. A 11/21-183



b6
b7c



V. V. S. R. I. L. L. I. G. L. O. R. I.

SS JOURNAL

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| | | |
|--|---------|----------------|
| Post-It™ brand fax transmittal memo 7671 | | # of pages > / |
| WCC-1 | | From |
| | | Co. |
| Dept. | Phone # | |
| Fax # | Fax # | |

AUGUST 20-26, 1993

Shareholders turn up heat on Hadron

By DAVID ALBRITTON

One of financier Earl Brian's former companies is coming under increasing fire for its lack of communications with shareholders, not to mention its stock performance.

Hadron Inc. is trading at 13 cents a share, down from about 50 cents three years ago, and trading on a NASDAQ exemption until shareholders approved a reverse stock split that pushed the stock above \$1 last week.

"This is the worst company I've ever bought into," said shareholder Carl Moretti at last week's meeting.

The company, part of Brian's wilting Infotechnology conglomerate, held its first annual meeting in 10 years last week. Brian once ran a media and high-tech empire valued at more than \$100 million — before debt pushed

Infotech into bankruptcy in 1991.

"This is a textbook case of bad management," said Bonnie Wachtel of Wachtel & Co. Inc. "The problem is the control group, headed by (Earl) Brian, is performing badly."

Overshadowing Hadron's annual meeting was the specter of Brian, who resigned from Hadron's board in January, but receives \$4,000 a month and a BMW convertible for providing consulting on technology. Half of Hadron's board last year, including acting chief executive C.W. Gilluly, were former Infotech-related executives.

Hadron provides computer and training services to the Justice and Defense departments along with the Federal Aviation Administration. It lost \$569,000 on sales of \$16.6 million for the nine months ended

See HADRON, page B1



Hadron: 'Worst company I've ever bought into.'

PHOTO BY JIM WALKER

continued from page 1

In March compared with earning \$85,000 on sales of \$23 million for the same period last year.

Gilluly, who has been in charge only since May, pushed through the meeting's one scheduled item: Approval of a reverse 10-to-1 stock split to raise the company's share price above \$1 to continue to meet NASDAQ requirements. Shareholders approved the measure, and Hadron's stock trades unencumbered on NASDAQ.

Hadron has been hit by DOD cutbacks, and management is working to return the company to profitability, said Amber Gordon, a Hadron vice president. It is trying to expand sales to non-DOD agencies and commercial clients, she said.

The company recently won a contract from Chevron to develop new types of aptitude tests for job candidates, designing a simulation system resembling the control room of an oil refinery to test job applicants. The company refitted a similar program designed for the FAA to reduce training for air-traffic-controller candidates.

Hadron is not controlled by Brian or Infotechnology, although the latter owns

a 13.6 percent stake in Hadron, Gordon said. Brian no longer is part of Infotech, she said.

"There are no transactions between the two companies at this time," she said.

But Hadron's history has long been linked to Brian and Infotech, which owned stakes in a web of companies that included Financial News Network and United Press International during the 1980s. The businesses were interlocked with much money flowing among the entities, said a former executive, who did not want his name used.

"Earl was king of the hill. He had all these companies under his command," the source said.

But Infotech collapsed under the weight of its debt in 1991, mostly caused by the takeover of UPI, and still remains in bankruptcy court.

Since 1988, Hadron has paid Infotech and its affiliates \$635,000 in various types of consulting fees, according to Securities and Exchange Commission filings. Nearly \$4.5 million moved among Hadron and Infotech companies during this period.

The SEC recently alleged Brian tried to perpetuate a scheme to cover up bogus sales/leaseback transactions to boost sales numbers for FNN and UPI. Brian consented, without admitting or denying guilt, and is enjoined from breaking further SEC rules.

Brian, Infotech and Dwight Geduldig, former Hadron CEO, were sued by Avacus Partners of Washington, which alleged self-dealing in transactions that benefited Brian and others at the expense of shareholders. The suit was stayed when Infotech filed for bankruptcy.

Brian served on Hadron's executive committee, which appoints company officials, and the last three chief executives all

had ties to Infotechnology or related entities. Gilluly led an investor group that bought a million shares of Infotech for a penny each from Merrill Lynch Group in December and planned to move the company to the Washington area.

Gilluly could not be reached for comment.

At last week's meeting, several shareholders complained that Hadron should hold an election for directors since it was Hadron's first shareholder meeting since about 1983, although no one there knew for sure. Stockholders, some of whom said they have never received annual reports from the Fairfax company, complained that directors have been appointing each other for years with little outside accountability.

Gilluly said Hadron would hold another shareholders' meeting in the fall to elect directors but had no further details.

Shareholders feared that Hadron executives might dilute current stockholders' stakes in the company. As part of the reverse stock split, shareholders voted to increase the number of authorized shares to 20 million with current stockholders only holding 1.5 million shares.

If only 1.5 million shares were issued, either to sell or buy another company, current stockholders would have their equity in Hadron cut in half. Shareholders repeatedly asked Gilluly if Hadron was working on any deals that would involve issuing shares, but he said "no."

Wachtel, who sits on the board of a number of area companies, said it is remarkable that Hadron has been able to forgo a stockholders' meeting for a decade.

"The management has been avoiding shareholder scrutiny," she said. "Hadron should be acquired."

Shareholders feared that Hadron executives might dilute current stockholders' stakes in the company. As part of the reverse stock split, shareholders voted to increase the number of authorized shares to 20 million with current stockholders only holding 1.5 million

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AUG-26-1993 07:52

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Memorandum



To : SAC, LOS ANGELES

Date 8/2/93

From : SSA [REDACTED]

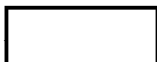
Subject: FORFEITURE MATTERS;
SA [REDACTED]

[REDACTED] CE-5 Rotor is requested to assign leads to SA [REDACTED]
to conduct forfeiture matters on the following cases:

(1) 29B-LA-115702



1-ea file



b6
b7C
b7E

29B-LA-115702-184
[REDACTED] [REDACTED]
WCC-1
[REDACTED]

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 18:54

Case ID: 29B-LA-115702 Serial: 185

Description of Document:

Type : FD302

Date : 08/02/93

To : LOS ANGELES

From : SA [REDACTED]

Topic [REDACTED]

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 155

Employee [REDACTED]

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 18:55

Case ID: 29B-LA-115702 Serial: 186

Description of Document:

Type : FD302

Date : 07/21/93

To : LOS ANGELES

From : SA [REDACTED]

Topic: [REDACTED]

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 156

Employee: [REDACTED]

b6
b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 9/21/93

TO : SAC, BALTIMORE
 FROM : SAC, LOS ANGELES (29B-LA-115702) (WCC-1) (P)
 SUBJECT : EARL W. BRIAN,
 CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
 INFOTECHNOLOGY, INC. - CUSTOMER,
 SECURITY PACIFIC NATIONAL BANK,
 LOS ANGELES, CALIFORNIA
 FIF
 OO: LOS ANGELES

Enclosed for Baltimore are the following:

1. Original and two copies of an unexecuted
 Federal Grand Jury subpoena dated 8/18/93, addressed to MNC
 LEASING, Towson, Maryland.

- 2 - Baltimore (Enc. 3)
- 2 - Boston (Enc. 3)
- 2 - Chicago (Enc. 6)
- 2 - Cleveland (Enc. 3)
- 2 - New Haven (Enc. 3)
- 2 - New York (Enc. 3)
- 2 - Phoenix (Enc. 3)
- 2 - St. Louis (Enc. 3)
- 2 - Salt Lake City (Enc. 3)
- 2 - San Diego (Enc. 3)
- 2 - San Francisco (Enc. 6)
- ② - Los Angeles



SEARCHED
 INDEXED
 SERIALIZED
 FILED



Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

29B-LA-115702-187

b6
 b7C

b6
 b7C

29B-LA-115702

Enclosed for Boston are the following:

1. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]

b3

Enclosed for Chicago are the following:

1. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]

2. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]

Enclosed for Cleveland are the following:

1. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]

b3

Enclosed for New Haven are the following:

1. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]

Enclosed for New York are the following:

1. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]

b3

Enclosed for Phoenix are the following:

1. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]

29B-LA-115702

Enclosed for St. Louis are the following:

1. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]
[redacted]

Enclosed for Salt Lake City are the following:

1. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]
[redacted]

Enclosed for San Diego are the following:

1. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]
[redacted]

b3

Enclosed for San Francisco are the following:

1. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]
[redacted]

2. Original and two copies of an unexecuted
Federal Grand Jury subpoena [redacted]
[redacted]

For information of receiving offices, officials of SECURITY PACIFIC NATIONAL BANK (SPNB) advised that television cable company, FINANCIAL NEWS NETWORK (FNN) was experiencing severe financial difficulties prior to declaring bankruptcy in 1991. In particular, FNN could not meet its debt obligations on more than \$70 million in line of credit to SPNB and TORONTO DOMINION BANK.

Investigation to date has determined that the FNN financial statements submitted to support the approval and funding of the bank lines of credit contained substantial inflated and fictitious figures, in particular, accounts receivable, fixed assets and lease commitments. Enclosed subpoenas command documents relating to FNN's lease commitments.

29B-LA-115702

[redacted] All documents should be forwarded to AUSA [redacted]
[redacted] 312 N. Spring Street, Los Angeles, California,
90012.

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LEADS

BALTIMORE

AT TOWSON, MARYLAND: Serve enclosed subpoena to
[redacted]

BOSTON

AT BOSTON, MASSACHUSETTS: Serve enclosed subpoena
[redacted]

b3

CHICAGO

AT CHICAGO, ILLINOIS: Serve enclosed subpoena to
[redacted]

AT ROSEMONT, ILLINOIS: Serve enclosed subpoena to
[redacted]

CLEVELAND

AT CLEVELAND, OHIO: Serve enclosed subpoena to
[redacted]

NEW HAVEN

AT FARMINGTON, CONNECTICUT: Serve enclosed
subpoena to [redacted]
[redacted]

b3

NEW YORK

AT WHITE PLAINS, NEW YORK: Serve enclosed subpoena
to [redacted]

29B-LA-115702

PHOENIX

AT PHOENIX, ARIZONA: Serve enclosed subpoena to

[REDACTED]

ST. LOUIS

AT MOBERLY, MISSOURI: Serve enclosed subpoena to

[REDACTED]

b3

SALT LAKE CITY

AT SALT LAKE CITY, UTAH: Serve enclosed subpoena

to

[REDACTED]

[REDACTED]

SAN DIEGO

AT SAN DIEGO, CALIFORNIA: Serve enclosed subpoena

to

[REDACTED]

[REDACTED]

SAN FRANCISCO

AT SAN FRANCISCO, CALIFORNIA: Serve enclosed

subpoena to

[REDACTED]

[REDACTED]

b3

AT SAUSALITO, CALIFORNIA: Serve enclosed subpoena

to

[REDACTED]

[REDACTED]

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/12/93

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[REDACTED] accepted service of the subpoena, indicated her understanding of its terms and agreed to comply.

Investigation on 10/12/93 at Boston, Massachusetts File # 29B-LA-115702
by FA [REDACTED] Date dictated 10/12/93

b6
b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 4/27/93

1 TO : SAC, LOS ANGELES (29B-LA-115702) (WCC-1) (P)
 2 FROM *DMO* [redacted] SAC, BOSTON (29B-LA-115702) (C-11) (RUC)
 3 SUBJECT : EARL W. BRIAN,
 4 CHIEF EXECUTIVE OFFICER;

b6
 b7C

5 [redacted]
 6 [redacted]
 7 [redacted]
 8 FINANCIAL NEWS NETWORK, INC.,
 9 INFOTECHNOLOGY, INC. - CUSTOMER,
 10 SECURITY PACIFIC NATIONAL BANK,
 11 LOS ANGELES, CALIFORNIA
 12 FIF
 13 OO: LOS ANGELES

14 Enclosed for Los Angeles is the original subpoena
 15 served on [redacted]

16 [redacted] Also enclosed are one
 17 original and one copy of an FD-302 reflecting service of the
 18 subpoena.

b3
 b6
 b7C

19 Inasmuch as the service of Federal Grand Jury
 20 Subpoena on [redacted]

21 [redacted] has been conducted, this
 matter is considered RUC.

22 ② - LOS ANGELES (29B-LA-115702) (Encl. 3 [redacted])
 23 ① - BOSTON (29B-LA-115702)

(3)

b6
 b7C

Approved: _____

Transmitted _____

(Number)

(Time)

Per _____

FEDERAL BUREAU OF INVESTIGATION
A I R T E L

Date: 10/12/93

To : SAC, LOS ANGELES

From : SAC, SAN DIEGO (29B-LA-115702) (RUC)

Subject: EARL W. BRIAN, et. al.;
FIF (B);
OO: LOS ANGELES

b6
b7C

Re Los Angeles airtel to San Diego dated 9/21/93.

Enclosed for Los Angeles is one original executed United States Grand Jury Subpoena [redacted] issued by the Central District of California.

b3

For information of Los Angeles, [redacted]

[redacted]

② - Los Angeles (encl - 1)
2 - San Diego

(4)

[redacted]

29B-LA-115702-190

| | |
|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| OCT 16 1993 | |
| FBI - LOS ANGELES | |

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b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/18/93

TO : SAC, LOS ANGELES (29B-LA-115702) (WCC-1) (P)
 FROM : SAC, PHOENIX (29B-LA-115702) (RUC)
 SUBJECT : EARL W. BRIAN,
 CHIEF EXECUTIVE OFFICER:



FINANCIAL NEWS NETWORK, INC.,
 INFOTECHNOLOGY, INC. - CUSTOMER,
 SECURITY PACIFIC NATIONAL BANK,
 LOS ANGELES, CALIFORNIA
 FIF
 OO: LOS ANGELES

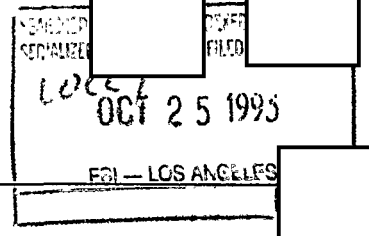
Re Los Angles airtel to Baltimore dated 9/21/93.

Enclosed for Los Angeles is the executed original
 of Grand Jury Subpoena addressed to [redacted] The
 subpoena was served on [redacted]

Since no further investigation is required of the
 Phoenix Division, this matter is considered RUC.

(2) - Los Angeles (w/enc.
 1 - Phoenix

(3)

Approved: *JRM*

Transmitted

(Number)

(Time)

Per

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b3
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 b7C

b6
 b7C

Memorandum



To : SAC, LOS ANGELES (29B-LA-115702) (P) Date 10/12/93

From : SA [redacted]

Subject: EARL W. BRIAN,
CHIEF EXECUTIVE OFFICER:

b6
b7C

[redacted]
FINANCIAL NEWS NETWORK, INC.,
INFOTECHNOLOGY, INC. - CUSTOMER,
SECURITY PACIFIC NATIONAL BANK,
LOS ANGELES, CALIFORNIA
FIF
OO: LOS ANGELES

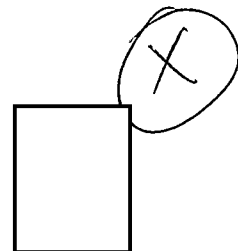
SA [redacted] has been instructed by SSA [redacted] to
work exclusively on above captioned matter. All other work will
be addressed by priority at a later date.

b6
b7C

② - 29B-LA-115702

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(11)



b6
b7C
b7E

29B-LA-115702-192

| | |
|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| OCT 15 1993 | |
| FBI - LOS ANGELES | |

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 18:59

Case ID: 29B-LA-115702 Serial: 193

Description of Document:

Type : FD302

Date : 10/13/93

To : LOS ANGELES

From : SA [REDACTED]

Topic [REDACTED]

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 159

Employee [REDACTED]

b6
b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/19/93

TO : SAC, LOS ANGELES (29B-LA-115702)
 FROM : SAC, NEW HAVEN (29B-LA-115702) (RUC)
 SUBJECT : EARL W. BRIAN,
 CHIEF EXECUTIVE OFFICER,
 FINANCIAL NEWS NETWORK, INC.;
 ET AL;
 FIF
 OO: LOS ANGELES

Re: Los Angeles airtel to Baltimore and New Haven,
 dated 9/21/93.

Enclosed for Los Angeles is an original and one
 copy of an FD-302 and an original and one copy of an executed
 Federal Grand Jury Subpoena served on 10/13/93.

2-Los Angeles (Enc. 4)
 2-New Haven (29B-LA-115702)

(4)

29B-LA-115702-194

| | |
|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| OCT 30 1993 | |
| FBI - LOS ANGELES | |

b6
 b7C

Approved: *WA*

Transmitted _____

(Number) (Time)

Per _____

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/26/93

TO : SAC, LOS ANGELES (29B-LA-115702) (WCC-1)
 (Attention: SA [redacted])
 : SAC, SAN FRANCISCO (29B-LA-115702) (RUC) (SRAF)
 CT : EARL W. BRIAN,
 CHIEF EXECUTIVE OFFICER:

FINANCIAL NEWS NETWORK, INC.,
 INFOTECHNOLOGY, INC. - CUSTOMER,
 SECURITY PACIFIC NATIONAL BANK,
 LOS ANGELES, CALIFORNIA;
 FIF;
 OO: LOS ANGELES

Reference Los Angeles airtel to Baltimore dated
 9/21/93.

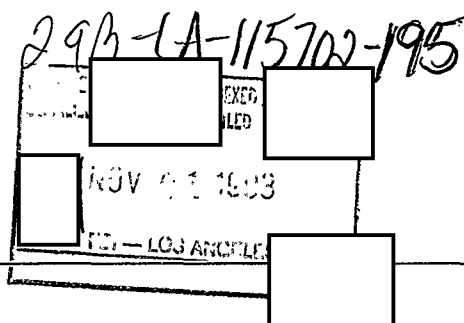
Enclosed for Los Angeles are the following:

1. Original of executed Federal Grand Jury
 subpoena dated 8/18/93 served on [redacted]

2. Original executed Federal Grand Jury subpoena
 dated 8/18/93 served on [redacted]

② - Los Angeles (Encls 2)
 1 - SF (29B-LA-115702)

(3)



Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

b6
 b7C

b3

b6
 b7C



For the information of Los Angeles, at the time of service a copy of the original subpoena and the business card of Special Agent [redacted] were provided to the person served. In both instances, the person served acknowledged the fact that their company's records contained information and documents relating to the business entitites and/or the persons named in the attachment to the original subpoena.

Since all leads set forth in referenced communication have been covered by the San Francisco Division, San Francisco is placing this case in an RUC status.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/26/93

TO : [REDACTED] S ANGELES (29B-LA-115702) (WCC-1)
 FROM : [REDACTED] BALTIMORE (29B-LA-115702) (SQ. 18) (RUC)
 SUBJECT : EARL W. BRIAN,
 ET AL
 FIF
 OO: LOS ANGELES

b6
b7c

Re Los Angeles airtel to Baltimore, dated 9/21/93.

Enclosed for Los Angeles is the original subpoena dated August 18, 1993, executed on 10/23/93.

For the information of Los Angeles enclosed subpoena was served on [REDACTED]

[REDACTED]
 [REDACTED]
 inquiries or subpoenas in this matter should be referred to [REDACTED]
 [REDACTED]
 [REDACTED]

b3
b6
b7c

2 - Los Angeles (Enc. 1)
 1 - Baltimore

(3)

29B-LA-115702-196

b6
b7c

Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 19:00

Case ID: 29B-LA-115702 Serial: 197

Description of Document:

Type : FD302

Date : 10/26/93

To : LOS ANGELES

From : FA

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 161

Employee:

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 18:59

Case ID: 29B-LA-115702 Serial: 199

Description of Document:

Type : FD302

Date : 10/14/93

To : LOS ANGELES

From :

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 160

Employee:

b6
b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/21/93

TO : SAC, LOS ANGELES (29B-LA-115702) (WCC-1)
 FROM : SAC, ST. LOUIS (29B-LA-115702) (RUC)
 SUBJECT : EARL W. BRIAN, aka
 ET AL;
 FIF (B);
 OO: LOS ANGELES

Reference Los Angeles airtel to Baltimore with
 copies to St. Louis; and St. Louis telcal of Special Agent
 (SA) [redacted] Kirksville Resident Agency, to SA
 [redacted] Los Angeles, 10-14-93.

Enclosed for Los Angeles are original and two
 copies of one FD-302 re results of 10-14-93, contact with [redacted]

[redacted] Also enclosed for Los Angeles Division is one
 executed copy of a subpoena duces tecum as directed to

[redacted] which subpoena is dated [redacted]

For information of the Los Angeles Division, on
 10-14-93, [redacted]

[redacted] advised that any
 subpoena for documents of [redacted] should be
 directed to [redacted]

2 - Los Angeles
 2 - St. Louis

(4)

29B-LA-115702-200

| | |
|------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |

NOV 05 1993
 FBI - LOS ANGELES

Approved: [Signature]

Transmitted [redacted]

(Number) (Time)

Per [redacted]

b6
b7Cb3
b6
b7Cb6
b7C

On 10-14-93, [redacted]
[redacted] was contacted
and advised [redacted]
[redacted] He
stated that the account of DR. EARL W. BRIAN, doing business
as FINANCIAL NEWS NETWORK, DATA BROADCASTING CORPORATION, [redacted]
[redacted]
[redacted] would be able to provide information as to whereabouts
of the DR. EARL W. BRIAN leasing file.

b3
b6
b7C

On 10-14-93, [redacted] telephone [redacted]
was contacted and advised he is familiar with the DR. EARL W.
BRIAN, doing business as FINANCIAL NEWS NETWORK and DATA
BROADCASTING CORPORATION, [redacted]
[redacted]

b3
b6
b7C

On 10-14-93, [redacted] advised she is the
individual handling the FINANCIAL NEWS NETWORK, also known as
DATA BROADCASTING CORPORATION, [redacted]
[redacted] She advised that any subpoenas relating to
that file should be directed to [redacted]
[redacted]

b3
b6
b7C

As set forth in enclosed FD-302, [redacted] was
contacted on 10-14-93, and agreed to accept service of the
subpoena in this matter [redacted] She further
requested that [redacted] of the subpoena be provided to
her at telephone [redacted] of the
subpoena was forwarded to her on 10-14-93.

Los Angeles should note that [redacted]
[redacted] appears to have some knowledge of the activities
of FINANCIAL NEWS NETWORK and has some knowledge of the
activities of some accountants who were involved with that
account. Los Angeles may desire to telephonically contact
[redacted] to ascertain the nature of his involvement with a view
towards identifying others who may be possible witnesses in
this matter.

b6
b7C

No investigation in this matter remains in the
St. Louis Division and this matter is RUC'd.

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 19:01

Case ID: 29B-LA-115702 Serial: 201

Description of Document:

Type : FD302

Date : 10/26/93

To : LOS ANGELES

From : FA

Topic:

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 162

Employee:

b6
b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

X AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/26/93

TO : SAC, LOS ANGELES (29B-CG-115702) (WCC-1) (P)
 FROM : SAC, CHICAGO (RUC)
 SUBJECT : EARL W. BRIAN,
 CHIEF EXECUTIVE OFFICER;



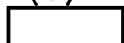
FINANCIAL NEWS NETWORK, INC.,
 INFOTECHNOLOGY, INC. - CUSTOMER,
 SECURITY PACIFIC NATIONAL BANK,
 LOS ANGELES, CALIFORNIA
 FIF
 OO: LOS ANGELES

RE LA airtel to CG dated 09/21/93.

Enclosed for the Los Angeles Division are the original
 executed federal grand jury subpoena served on [redacted]
 [redacted] and an original and
 one copy of a FD-302.

Chicago considers this matter RUC.

2 - Los Angeles (Encl. 3)
 1 - Chicago
 (3)



29B-LA-115702-202

| | |
|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| OCT 30 1993 | |
| FBI - LOS ANGELES | |

Approved: 

(Number) (Time)

Per _____

b6
b7C

b3

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 19:01

Case ID: 29B-LA-115702 Serial: 203

Description of Document:

Type : FD302

Date : 10/27/93

To : LOS ANGELES

From : SA [REDACTED]

Topic: [REDACTED]

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 163

Employee: [REDACTED]

b6
b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 11/2/93

TO : SAC, LOS ANGELES
 (29B-LA-115702) (WCC1) (RUC)
 (SA [redacted])

FROM : ADIC, NEW YORK

SUBJECT : EARL W. BRIAN,
 CHIEF EXECUTIVE OFFICER;

[redacted]
 FINANCIAL NEWS NETWORK, INC.;
 INFO TECHNOLOGY, INC.-CUSTOMER;
 SECURITY PACIFIC NATIONAL BANK,
 LOS ANGELES, CA;
 FIF;
 (OO:LA)

ReLAairtel to Baltimore Division, 9/21/93.

Enclosed for Los Angeles is an executed original
 Grand Jury Subpoena (GJS) presented to [redacted]

All investigation was completed in NY, therefore,
 this matter is being placed in an RUC status

2-Los Angeles (Encl.)
 1-New York

[redacted]
 (4)

29B-LA-115702-204

| | |
|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| NOV 8 1993 | |
| FBI - LOS ANGELES | |

Approved: [Signature]

Transmitted

(Number) (Time)

Per

b6
 b7C

b3
 b6
 b7C

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/28/93

TO : SAC, LOS ANGELES (29B-LA-115702)
 FROM : SAC, SALT LAKE CITY (29B-LA-115702) (RUC)
 SUBJECT : EARL W. BRIAN,
 CHIEF EXECUTIVE OFFICER;



FINANCIAL NEWS NETWORK, INC.,
 INFOTECHNOLOGY, INC. - CUSTOMER,
 SECURITY PACIFIC NATIONAL BANK,
 LOS ANGELES, CALIFORNIA;
 FIF
 OO: Los Angeles

Re Los Angeles airtel to Baltimore dated 9/21/93.

Enclosed for Los Angeles Division is the original copy of an executed Federal Grand Jury Subpoena and the original and one copy of an FD-302 reflecting service of the Grand Jury subpoena on

2 - Los Angeles (Enclosures 3)
 2 - Salt Lake City

(4)

29B-LA-115702-205

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|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| NOV 10 1993 | |
| FBI - LOS ANGELES | |

Approved:

Transmitted

(Number) (Time)

Per

b6
b7Cb3
b6
b7Cb6
b7C

29B-LA-115702

For the information of Los Angeles Division.
[redacted] advised [redacted]
to Special Agent (SA) [redacted] prior to 10/21/93, and
that he would contact [redacted] if he had any questions regarding
the subpoena or [redacted] requested in the subpoena.

b3
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b7C

Due to no other leads outstanding in the Salt Lake
Division, this matter is considered RUC.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL



PRECEDENCE:

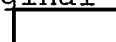

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

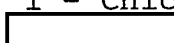
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 11/11/93

TO  C, LOS ANGELES (29B-LA-115702) (WCC-1)
 FROM  SAC, CHICAGO (29B-LA-115702) (RUC) (SQ. 13)
 SUBJECT : EARL W. BRIAN;
 ET AL;
 FINANCIAL NEWS NETWORK, INC.,
 ETC.;
 FIF;
 OO: LOS ANGELES

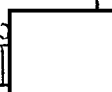
Enclosed for Los Angeles are the original and two
 (2) copies of an FD-302 reflecting contact with 
 also enclosed is an executed subpoena.

As no further investigation remains at Chicago,
 this matter is being placed in a RUC status.

② - Los Angeles (Encls. 4)
 1 - Chicago

 (3)

29B-LA-115702-206 (X)

| | |
|-------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| WCC NOV 18 1993 | |
| FBI - LOS ANGELES | |



1*

Approved: _____ Transmitted _____ (Number) (Time) Per _____

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b7Cb3
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b7Cb6
b7C

29B-1A-115702-207

| | | | |
|------------|------------|---------|------------|
| SEARCHED | [REDACTED] | INDEXED | [REDACTED] |
| SERIALIZED | [REDACTED] | FILED | [REDACTED] |

NOV 10 1993

FBI - LOS ANGELES

[REDACTED]

b6
b7C

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/26/93

b3
b6
b7C

Investigation on 10/20/93 at File # 29B-LA-115702

b6
b7C

by SA Date dictated 10/21/93

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 19:02

Case ID: 29B-LA-115702 Serial: 209

Description of Document:

Type : FD302

Date : 11/12/93

To : LOS ANGELES

From : FA

Topic: FA

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 29B-LA-115702-302 Serial: 164

Employee

b6
b7C

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 02/10/97 Time: 19:03

Case ID: 298-LA-115702 Serial: 209X1

Description of Document:

Type : FD302

Date : 11/30/93

To : LOS ANGELES

From : SA [REDACTED]

Topic: [REDACTED]

Reason for Permanent Charge-Out:

MISFILED

Transferred to:

Case ID: 298-LA-115702-302 Serial: 165

Employee [REDACTED]

b6
b7C